Towards Excellence in Aid Delivery

A Review of New Zealand's Official Development Assistance Programme

Report of the Ministerial Review Team
March 2001

Acknowledgement

Scope and Methodology

Scope

The Associate Minister of Foreign Affairs and Trade, the Honourable Matt Robson, MP commissioned this review in September, 2000 with the support and cooperation of the Minister of Foreign Affairs and Trade, the Honourable Phil Goff, MP. The Ministers called for a comprehensive independent review conducted by a team with expertise in development assistance. The team was identified and selected by the Ministers with support from MFAT.

The review team consisted of:

> Joseph Grossman - Economist, Managing Director, Development Services International Ltd.

> Annette Lees - Development and conservation expert

The Team was assisted by Dr Margaret Chung, a Suva based development specialist, during the field-based portion of the review.

The last review of NZODA was carried out more than ten years ago by the Foreign Affairs and Defence Select Committee. Although assessments on aspects of NZODA's work have occurred during that time the Ministers determined that an examination of New Zealand's aid policies and practice was timely. Since the last review the needs within the Pacific, where the bulk of New Zealand's aid is spent, have changed. Recent instability and challenges facing governments in the Pacific have added urgency to the need to focus attention more closely on the way aid policies might address the causes of these problems. Equally important, globalisation has dramatically changed development assistance over the past decade, which has become a much more specialised discipline requiring considerably higher levels of expertise and experience in order to contribute effectively to the challenge of poverty elimination.

The goal of the review is to provide analysis and recommendations about the overall focus, priorities, objectives and institutional arrangements of ODA. In particular, the Team was asked to examine NZODA in light of how it can:

- best contribute to the elimination of poverty and building of capacity

- best assist in the development of just and equitable economic, social and environmental policies for present and future generations

- best address the root causes of problems facing Pacific Island states given New Zealand's close relationship with the region.

The Terms of Reference for the review are found in Appendix A.

For the purposes of this review, the team has focused attention on the portion of ODA managed and delivered by the Ministry of Foreign Affairs and Trade, which accounts for approximately 91% of total NZODA. The remainder is administered mainly by New Zealand Defence Force (7%) and other Departments (2%).

Methodology

The Ministers asked the team to provide a vision for NZODA centred on excellence in aid delivery that effectively and strategically contributes to the elimination of poverty. This required a thorough analysis of the current policies, practices and structure of NZODA, the Ministry of Foreign Affairs and Trade, and the Development Cooperation Division based on a comprehensive understanding of current best practice in aid design and delivery. The team provided regular (every four to six weeks) updates to the Ministers on review progress to ensure that the team was implementing the TOR in approach and focus as the Ministers wished. Regular briefings were also provided to MFAT to ensure that they were fully appraised of review activities and progress.

The review was conducted over a relatively short period of time with resources which, while limited, were sufficient to provide a comprehensive outcome. To do so, the team ensured that it drew on the views of those most actively involved in the design and delivery of NZODA. The review team consulted extensively with MFAT staff, partners and stakeholders in New Zealand as well as overseas. The Minister called for public submissions, of which approximately 80 were received (these are listed in Appendix F), and a series of public consultations which were held in the three major cities (a list of attendees is found in Appendix E). This process was supplemented through meetings with NZODA staff, key stakeholders in New Zealand, including relevant Government Departments, representatives of the Asian Development Bank, development consultants, and academics.

During the course of the review, the team was also invited by MFAT to attend several meetings that provided valuable insights into NZODA. These included:

• Long Term Strategic Planning Consultations with the Asian Development Bank, representatives of Pacific Island countries and Australian government officials.

• MFAT Workshop on Pacific Strategy and Policy

• South Pacific Heads of Mission Meeting.

An extensive series of interviews was held with individual staff of the Ministry of Foreign Affairs and Trade, including the majority of management and professional staff of the Development Cooperation Division. These interviews, supplemented by document review, formed the core of the team's insights into NZODA operations, policy and practice. In order to respect the confidentiality of staff, partners and stakeholders, quotes in this report are attributed to positions rather than individuals in an effort to maintain anonymity. Following interviews and meetings, team members would review and compare notes and quotes to ensure accuracy. Where any uncertainty existed, issues were referred back to those interviewed for clarification. While the team was interested in the views of all staff interviewed, it was careful to avoid any inclusion in the report of discussion with potentially disgruntled or biased staff that might not represent accurate views. Where reference in the report is made to staff perspective, this represents a critical mass of views expressed by many staff, generally across a range of positions within DEV and/or MFAT. The list of meetings and interviews held in New Zealand and overseas is found in Appendix D.

A large volume of reports, materials, reviews and documents was drawn upon from a wide range of sources including MFAT, OECD, World Bank, Asian Development Bank, AusAID, DfID and other donors. The list of the main reference materials utilised by the team is found in Appendix G.

The team was asked to travel to a limited number of Pacific Island countries and Australia to discover the views of aid recipients and partners. Due to political unrest in the Pacific, travel destinations were constrained. Following discussions with MFAT, a decision was made to visit Vanuatu and Samoa to meet with bilateral programme partners and stakeholders and to Fiji to meet with multilateral and regional partners. The Minister of Foreign Affairs and Trade also invited a team member to accompany him on a trip to New Caledonia, Vanuatu, Tonga and Niue. This provided a valuable opportunity to meet with partners and stakeholders in these countries.

The team spent four days in Vanuatu and five in Samoa meeting with Post staff and a wide range of senior bilateral government officials, politicians, line agencies and partners, representatives of civil society, NGOs, other donors and stakeholders. Approximately two days were spent in each of the countries visited with the Minister, which afforded an opportunity to meet with Post staff, some partners and stakeholders as well as visiting a small number of project sites. A team member spent several days in Fiji meeting with regional institutions. The team members took the opportunity of other private travel commitments to discuss relevant review matters and to gain additional insights into the operations and practices of NZODA, including a meeting with Advanced Dynamics, an Australian firm that recently conducted a management and operational review of MFAT.

The team spent four days meeting with management and staff at AusAID to gain insight into their policies and operations, as our neighbour and other major donor in the Pacific. Australia underwent a similar review

of their ODA programme (Simons Review) in 1997, and the team was interested in that review as well. In Australia, meetings were also held with academics, NGOs, a member of the Minister's Advisory Committee, and members of the Simons Review team and Review Secretariat members.

It was not possible in the course of this review to deal with all of the issues raised by MFAT, staff, partners, stakeholders and by submissions and the public consultation process. Indeed, this was not the task of the team. There was an extraordinarily wide range of issues that have a potential bearing on NZODA, but time and resource constraints did not allow the team to deal with them all comprehensively. However, as mentioned above, regular briefings with the Ministers provided the team with the opportunity to discuss issues and direction with them to ensure that the questions central to the Terms of Reference were being fully covered.

Report structure

Chapter One sets the context of the evolution of NZODA in recent times, including the history of its development. Current dimensions of NZODA as it relates to other OECD donors are also discussed. Chapter Two sets the context for NZODA, providing a rationale for why we should give aid, and where. The South Pacific's development issues are also discussed. Chapter Three draws on international experience and recognised best practice to present a vision for ODA. Chapter Four analyses how NZODA is currently designed and managed, measured against the parameters outlined in Chapter Three. This includes examination of the policy framework, aid programme design, management, delivery and aid programme impact. Chapter Five presents recommendations for future directions, concentrating on what steps are seen as critical to achievement of excellence in aid delivery for NZODA. Two appendices provide further information on key issues discussed in the main text. Appendix B describes root causes of poverty in the Pacific and Appendix C provides detailed information on NZODA consultants and the contracting process.

Final point

The team interviewed a large number of DEV and relevant MFAT staff, engaged in a broad based consultative process including submissions and public meetings, travelled to a representative range of Pacific Island partner countries for consultations and reviewed an enormous amount of reports, reviews, documents and materials. This process exposed the team to the full range of views on development assistance, from purist to extremist. The team has, however, endeavoured to take a pragmatic approach to this task, recognising the realities of the environment within which NZODA operates. The team had a draft of this report peer reviewed by four independent experts representing a range of disciplines. While all advice given and views presented have been fully considered, the team takes sole responsibility for the report.

Table of Contents

Abbreviations and Acronyms

ACEAD	Advisory Committee on External Aid and Development
ADAF	Asia Development Assistance Facility
ADB	Asian Development Bank
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
AusAID	Australian Agency for International Development
CID	Council for International Development
CMU	Contract Management Unit
CPS	Country Programme Strategy
CRP	Comprehensive Reform Programme
DAC	Development Assistance Committee (of the OECD)
DEAP	Evaluation, Analysis and Programme Support Section
DEV	Development Cooperation Division
DfID	Department for International Development (British ODA)
DISC	Information Systems, Student Contracts
DPM	Development Programme Manager
EMDR	Emergency and Disaster Relief
FORSEC	Pacific Forum Secretariat
GAD	Gender and Development
GDP	Gross Domestic Product
GGP	Good Governance Programme
GNP	Gross National Product
HC	High Commissioner
HDI	Human Development Index
HIPC	Heavily-Indebted Poor Countries
HOM	Head of Mission
HOMF	Head of Mission Fund
HLC/HLM	High Level Consultations/Meetings (annual bilateral consultations)
HRD	Human Resource Development
ICF	Investing in a Common Future
IDA	International Financial Corporation
IDT	International Development Target
IFI	International Finance Institution
LLCD	Least Developed Country
M & E	Monitoring and Evaluation

MFAT	Ministry of Foreign Affairs and Trade
MSC	Management Services Consultant
NGO	Non Government Organisation
NZ	New Zealand
NZHC	New Zealand High Commission
NZODA	New Zealand Official Development Assistance
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAC	Pacific Division
PDD	Project Design Document
PIC	Pacific Island Country
PID	Project Implementation Document
PIE	Pacific Initiative for the Environment
PIIDS	Pacific Islands Investment and Development Scheme
PNG	Papua New Guinea
SI	Solomon Islands
SMU	Student Management Unit
SPA	South Pacific Division (recently changed to PAC - Pacific Division)
SPC	South Pacific Commission
SWAP	Sector Wide Approach
TA	Technical Assistance
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USP	University of the South Pacific
VASS	Voluntary Agencies Support Scheme
VSA	Volunteer Service Abroad
WB	World Bank
WTO	World Trade Organisation

Glossary

Aid Officer: Post staff with either dedicated, or significant, responsibility for NZODA activities.

ACEAD: Advisory Committee on External Aid and Development. Committee appointed by the Minister of Foreign Affairs and Trade to provide independent advice and to conduct reviews into development issues as agreed to with the Minister.

Bilateral Aid: Aid that is provided directly by one donor country to an aid recipient country.

Country Programme: A programme design approach that is based upon a specific country's development needs and priorities,

DAC: Development Assistance Committee of the OECD, which focuses on development cooperation matters. The DAC conducts regular peer reviews of member country ODA programmes. A DAC review of NZODA was completed in 2000.

Good Governance: Transparent, equitable, participatory and accountable management of a country's economic, political, social and administrative processes and resources.

Graduation: A defined process through which development assistance is phased out as a country achieves a stage of economic and social development where there is no longer a defined need for donor provision of assistance.

Grants: Transfers made in cash, goods or services for which no repayment is required.

HICs: High-Income Countries, ie with GNP per capita more than USD 9385 in 1995.

HOMF: Head of Mission Funds. Discretionary aid fund disbursed by an Ambassador or High Commissioner.

LLDCs: Least Developed Countries. Group established by the UN. To be classified as an LLDC, countries must fall below defined thresholds established for income, economic diversification and social development.

LMICs: Lower Middle-Income Countries, ie with GNP per capita between USD 765 and USD 3035 in 1995.

Multilateral Aid: Aid that is channelled by donors through international organisations that engage in development assistance activities (eg: World Bank, UN agencies).

ODA: Official Development Assistance. Refers to all official government expenditure on overseas aid. The DAC defines ODA as grants or loans to developing countries which: are undertaken by the official sector; have promotion of economic development and welfare as main objective; and are at conscessional financial terms (at least 25 per cent grant). Grants and loans for military purposes are excluded.

Other LICs: Other Low-Income Countries. This includes non-LLDC countries with a per capita GNP less than USD 765 in 1995.

Partially Tied Aid: ODA for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries.

Post: New Zealand High Commission, Embassy or Consulate.

SWAP: Sector Wide Approach. A method of working between government and donors which aims at adopting common approaches across a sector. It includes all significant funding for sector support, single sector policy and expenditure programmes under government leadership. The objective is to progress towards relying on government to disburse and account for all funds.

Tied Aid: ODA for which the associated goods and services may be fully and freely procured in substantially all countries.

UMICs: Upper Middle-Income Countries, ie with GNP per capita between USD 3035 and USD 9385 in 1995.

Executive Summary

Context and Place For NZODA

Globally, 1.2 billion people - two-thirds of them women - live in abject poverty. New Zealanders feel a strong moral imperative to combat deprivation and suffering believing that as a more fortunate country we have a responsibility to help people in need.

Developed countries like New Zealand benefit from a more prosperous world that overseas development assistance can assist in achieving. Equitable development is fundamental to achieving peace and security. This issue of mutual dependence will become more compelling as, in the next 25 years, around 2 billion people will be added to the world's population, 97% of them in developing countries. If this growth is managed poorly we can expect major conflict over resources which will spill over borders and impact on nations, rich and poor.

In 2000/2001 New Zealand will contribute over $250 million to Official Development Assistance. This amounts to about 0.27 per cent of New Zealand's Gross National Product (GNP). The Ministry of Foreign Affairs is responsible for managing the bulk of this funding, which represents approximately 60% of the Ministry budget. The Development Cooperation Division (DEV) is the division of MFAT that manages NZODA in conjunction with New Zealand's diplomatic posts in partner countries. DEV is one of approximately 30 Divisions in MFAT.

NZODA currently has 63 bilateral partners with 19 main partners. That is too many to be effectively managed. This review recommends that bilateral partnerships are reduced to around ten and the South Pacific remain central to New Zealand's aid effort. Poverty indicators in some South Pacific countries are among the worst in the world. As well the smaller nations of the Pacific are among the most vulnerable in the world. New Zealand is expected by the international community to assist effectively in addressing these issues. We have a comparative advantage in working in ODA in the Pacific and can potentially make a measurable difference to poverty here.

Current NZODA Practice Against a Vision of Excellence in Development Assistance

Based on recognised international best practice in development assistance (made applicable and workable in New Zealand's own context), a vision can be defined for an effective Official Development Assistance programme. This review compares the current performance of NZODA against that vision.

Many donors have concluded that an effective aid programme has a single clear mission focused on poverty elimination. NZODA lacks such a clear mission. Management and staff are pursuing poorly defined development assistance, foreign policy and trade objectives. There is a serious confusion of purpose. At the implementing end, desk officers are uncertain and concerned about the core mission of their work.

A successful aid programme has a strong policy framework that sets the rationale and direction of the aid work, making it clear what the desired outcomes of the programme are. NZODA does not provide clearly defined, measurable and accountable policy guidance to its staff for decision-making. The NZODA policy framework does not contain a clearly stated goal, define objectives or establish priorities for assistance.

Focus is necessary for an agency to deliver aid successfully and efficiently. NZODA lacks such focus. It has 63 bilateral partnerships and only four of these are based on country programme strategies. It currently gives aid to a total of 93 countries. There are no country-based poverty analyses to inform funding decisions. There is no defined strategy for NZODA in the Pacific where over half of New Zealand's aid is delivered, nor is there a defined strategy for any other region that NZODA operates in.

A successful aid agency makes accountable choices between funding mechanisms (bilateral, multilateral, NGO or regional) based on careful strategic analysis. In NZODA for the $167.4 million allocated bilaterally, there is no formal documented system of analysis or defined criteria used for determining the annual allocation process. No systematic analysis is conducted which examines past performance of programmes, absorptive capacity, other donor activity, sectoral analysis, priorities or specific policy considerations. For the $59 million allocated to multilateral organisations, there is no formal assessment of the match between agency mandates and NZODA's, and no specific assessments of organisational performance, cost effectiveness, outcomes, or effective contribution to development assistance.

Despite the fact that there are good projects being managed by NZODA, this agency does not systematically use best practice in aid design and delivery. Bilaterally, NZODA is primarily project based rather than sector based. There are at least 300 bilateral projects, with each desk officer responsible for managing on average 20 large projects (with an average size of $300,000). Effective, strategic and accountable management of such a large number of disparate projects by desk officers is questionable.

Over 40% of the NZODA bilateral budget, a total of $60 million, is allocated to education and training. Approximately 90% of this funds tertiary education scholarships, of which approximately 85% is provided in New Zealand. This is despite the fact that internationally, there is strong recognition that supporting basic education is a crucial aid objective, and that many other leading aid agencies have stopped giving scholarships because of their uncertain link to development outcomes. Poor completion rates and failure of students to return to their home countries is a major problem, which raises serious questions regarding effectiveness of the scholarship schemes and equity concerns in relation to fee paying New Zealand students.

Experience shows that ownership by the recipient government over a country -based poverty elimination strategy is essential if ODA is to be successful. It is the partner government actions that will determine overall success or failure in meeting the needs of the poor. Despite this, for NZODA, involvement of partner governments and stakeholders in project appraisal and design, monitoring and evaluation is inconsistent. NZODA staff are unclear about how to work in partnership with governments that are judged as not having the capacity to engage effectively on development issues, despite the fact that this is an essence of good governance.

Every aid agency needs to ask two evaluative questions: why do we do what we do? And what is the impact? The answers to these questions help the agency know if it is making the right choices and pursuing effective strategies. DEV focuses on input measurement and financial accountability, but does not have an effectively systematic approach to measuring NZODA outcomes. Staff from desk officers to senior management were unable to describe how NZODA ensures accountability in its programme against established policy and guiding principles. There is no defined analytical process for monitoring and evaluation to inform planning or funding decisions.

Under the rotational staffing system, managers do not have full power over selection of their staff or their removal. Skills based job placement is not guaranteed. DEV was referred to by staff as both a training ground for diplomats and a dumping ground for non-performers. Staff complaints about the lack of systematic, acceptable hand-overs between desk officer rotations were common. Country programmes can be left vacant for months and new desk officers can begin without briefings on their programmes, organised files, notes, funding guidelines, work plans, and little guidance.

A high quality aid agency will be staffed with skilled and experienced development professionals who design and manage the aid programmes. NZODA management is not selected based on skills or expertise in development assistance. Senior DEV management do not routinely have development-specific educational qualifications or extensive training or development experience specifically related to ODA. Of the rotational DEV and post staff interviewed, virtually none had development training or sectoral expertise, experience or skills prior to joining MFAT. Many had never visited their country or region of responsibility before. Most had no existing experience with, or understanding of, local culture or custom, country specific political and economic conditions, local needs, working conditions, participatory methodologies, or cross cutting issues. There has not been a training strategy to fill these significant gaps for DEV staff. There is no training unit or dedicated training staff.

An effective aid agency will have transparent, equitable and competitive contracting systems in order to attract highly skilled and experienced consultants to assist with the delivery of ODA. Approximately $28 million of the aid budget in recent years has been spent on consultancy contracts and yet in the last 18 months only 25% of these contracts were tendered. The remainder of the contracts were provided on a non-competitive basis. There are no specific, defined criteria for determination of which contracts can be let without competitive tendering, other than agreement from a Deputy Director or a Director.

A successful aid agency will be knowledge-based and a learning institution. In DEV there is no defined system for information sharing, circulation of reports, reviews or studies. Staff felt strongly that the rotational system militates against institutionalisation of lessons, making creation of a learning environment very difficult.

Excellence in aid delivery requires that development professionals should be rewarded for success in poverty elimination through career advancement. In NZODA there is no system of career interviews for staff and no defined development career paths. Staff are not given incentives to excel at development. Rather desk officers described their performance as being assessed mainly on the degree to which they spend their budgets. Staff operate within the wider MFAT organisational culture which was described to a recent independent review as an 'extremely repressive and unproductive culture that does not encourage innovation or reward excellence'.

Conclusions

What is described in this review by a large number of MFAT staff, stakeholders and partners is a failure of systems to support excellence in ODA. In the past decade New Zealand has used NZODA to invest nearly $2 billion in development assistance. Over the next five years assuming ODA expenditure stays at current levels, New Zealand will spend nearly $1.5 billion on development assistance. There will need to be substantial change to the way NZODA is designed, implemented and administered if these funds are to represent a good investment in development assistance.

There are pockets of quality in the aid programme, driven by highly capable, talented and committed individuals, both rotational and contract staff. The review team met some of these individuals and is impressed with their vision and their efforts. The whole of New Zealand's official aid programme could be, and should be, like that.

What is required most importantly of all, is a new autonomous institution to support a staff of development professionals dedicated to the achievement of one clear goal: poverty elimination. We do not believe that effective reform can be instituted without having an autonomous aid agency. This is because of the following key reasons.

Foreign Affairs and ODA have distinctly different missions. ODA asks partner governments: what are your needs and how can we help them? Foreign Affairs asks: what are our needs and how can we advance them? These two missions are not only fundamentally different, they can sometimes be in conflict. The mixed missions muddy transparency of outcomes resulting in an organisation that cannot find out what really works for the achievement of any one goal. It is thereby inhibited in learning how to execute its job more effectively. Foreign Affairs requires different skills from ODA. Quality development assistance is a profession that is becoming increasingly complex and sophisticated. Trainee diplomats are unlikely to provide these professional skills. Development assistance needs to operate within a learning environment, one that is comfortable with risk-taking, rewards effective innovation, learns from failure, encourages debate, is participatory in nature and works through active and equal partnership. MFAT does not provide that organisational culture. Poverty reduction is not core business of MFAT and given the differences in missions it could never be made so. As a fundamental issue of transparency, ODA needs its own stream of contestable policy development and advice going directly to a minister.

The review team does not believe that NZODA is too small to be a functional agency. With over 100 full time equivalent staff and a budget of $250 million it is larger than many current New Zealand government agencies. Based on discussions with individuals well experienced in public sector reform, it appears unlikely

that establishing an autonomous agency would be costly. Being part of MFAT is not a prerequisite for policy coherence - that could be achieved through high level meetings as it is for other agencies that require policy coherence (Defence, Immigration, Customs, Police and others). For the same reason, political interest in aid need not require ODA to operate from within MFAT.

The new agency, referred to in the report as NZAID, should be administered with the clear purpose of poverty elimination. Clarity of purpose is needed to achieve effectiveness, efficiency and accountability. NZAID should be an organisation whose core expertise is the delivery of development assistance for poverty elimination and whose core staffing consists of specialist professionals in that field. There are three other important elements of the new agency. Its Director General (agency head) should be directly accountable to a Minister of the Crown. It should have its own separate vote (funding line) directly from Government. And it should recruit its own staff.

New Zealand has the opportunity to draw on the best international findings in ODA and its own experiences, to create an innovative, world class aid programme that has a clear strategic vision, and is cutting-edge, impact-focused, responsive to the countries that we assist, and a learning organisation. Despite the comparatively small size of our aid programme with an autonomous aid agency New Zealand has the potential to have international impact as a leader in development thinking and practice.

The first recommendation of this review is therefore that NZODA should be administered by an autonomous agency that has an undistracted focus on, and accountability for, the mission to eliminate poverty.

Other Recommendations of this Review Are:

Recommendation 2 The New Zealand Government should renew its commitment to Official Development Assistance, and call for an ODA programme that seeks excellence in aid delivery.

Recommendation 3 NZAID should have one, unambiguous goal: the elimination of poverty

Recommendation 4 NZAID should adopt the six International Development Targets as its own objectives

> The IDTs represent unique international consensus around crucial development outcomes. For our core development partners in the Pacific, the IDTs would channel ODA into meeting basic education and health objectives in Melanesia, and core poverty reduction and environmental objectives for the whole region. This fits with the review's analysis of root causes of poverty (and as a consequence, security and stability issues) in the Pacific.

Recommendation 5 NZAID should conduct a complete overhaul of its policy framework and develop a strategic, accountable, focused framework based on international best practice in ODA.

> Country based poverty analysis and country programme strategies should be developed as the basis for bilateral programme relationships.

Recommendation 6 NZAID should retain a core focus on the South Pacific.

Recommendation 7 NZAID should prepare a Pacific Regional Strategy focused on poverty elimination and the sustainability of aid.

> ODA should be carefully targeted in the Pacific to ensure it addresses root causes of poverty, ensures the use of Pacific-centred approaches to development, meets International Development Indicators, is based on poverty assessments for each country, addresses issues of graduation, and provides opportunity to increase self-reliance for aid-dependent countries. The Pacific Regional Strategy for NZAID should articulate a vision for a poverty-free Pacific that is still rich with its cultural heritage and natural environment, and it should describe NZAID's role in helping to achieve that.

Recommendation 8 Constitutionally-derived payments to Niue, Cook Islands and Tokelau should not come from the ODA budget

> Niue, the Cook Islands and Tokelau are entitled to direct financial support from New Zealand through their constitutional arrangements. They are payments as of right that should not be met through ODA. The relationship with these countries comprising New Zealand citizens should be managed through Foreign Affairs or another appropriate body. ODA could still be provided for specific poverty elimination needs within those countries but would need to meet the same criteria for ODA as all other bilateral countries.

Recommendation 9 NZAID should reduce the number of bilateral partners it currently has from 63 to around ten. It should adopt a Bilateral Assessment Framework to define eligibility for bilateral funding.

Recommendation 10 All future education and training assistance, including scholarships, provided by NZAID should be placed in the context of country based poverty analysis and country programme strategies that holistically examine educational needs.

Recommendation 11 NZAID should have a Regional Institutions Assessment Framework and a Multilateral Assessment Framework.

> These frameworks would define which regional and multilateral organisations NZAID should support and to what degree. They would provide formal assessment of the match between agency mandates and NZAID's, as well as assessments of organisational performance, cost effectiveness, outcomes and effective contribution to development assistance

Recommendation 12 NZAID should adopt a strategic approach to bilateral funding allocations

> This should be based on poverty analyses, country programme strategies, good governance issues, absorptive capacity, numbers of other donors operating in that country and the level of co-operation between donors.

Recommendation 13 NZAID should mainstream human rights issues, along with gender and environment, throughout its operations.

> Effective and sustainable poverty elimination requires empowerment of the poor, removing forms of discrimination, having free media and the right to an inclusive and fair electoral process.

Recommendation 14 NZAID should develop 'centres of excellence' in aid delivery that will define its comparative advantage.

> It should develop a transparent, equitable system for the selection, use and evaluation of consultants that ensures quality of services.

> A relatively small aid agency like New Zealand's cannot have on its staff the entire range of skills required to direct aid interventions across all sectors. Instead it should define its 'centres of excellence' - those fields that NZAID knows it can deliver in. The centres of excellence should be selected only after a thorough review of bilateral partner needs through a series of poverty analyses. This process will highlight core areas of need from which NZAID should select its core business. It should develop and draw in the appropriate skills and experience to its staff and consulting core. An over-arching area of deep institutional knowledge should be the Pacific - its development parameters, culture, environment and languages.

> Both iwi Maori and New Zealand's Pacific Island community potentially form part of NZAID's comparative advantage and should be drawn into its policy development and ODA design and delivery.

> The comparative advantage of NZAID and New Zealand as a country will not necessarily be the same.

Recommendation 15 NZAID should establish monitoring and evaluation systems that measure impact of development assistance.

Chapter One

Evolution of NZODA

1.1 Chapter Overview

This chapter provides a historical framework for NZODA. This includes basic facts about where our aid is delivered, its volume, and an introduction to NZODA management and staffing.

The chapter is drawn from a fuller history of NZODA prepared by Patti O'Neill (Development Division, MFAT) for the purposes of this review

1.2 History

The origins of the New Zealand Official Development Assistance programme are in New Zealand's colonial relationships with the Cook Islands, Niue, Western Samoa and Tokelau, beginning in 1901 when New Zealand assumed responsibility for the Cook Islands and Niue. By the late 1940s this assistance amounted to approximately NZ$1 million annually.

The modern aid programme began after World War II. There were three broad streams:

• aid to Pacific Island countries

• bilateral aid to Asia under the Colombo Plan

• multilateral aid through the United Nations and other international organisations.

In the early 1970s the aid streams to Asia and the Pacific were consolidated. Bilateral projects and education and training became the backbone of the NZODA programme.

As Pacific Island countries became responsible for their own affairs during the 1970s, New Zealand increasingly focussed its diplomatic attention on the region. New Zealand's political, economic and strategic relationships were changing as the Pacific Basin became increasingly important. In 1972 there were only five posts in the Pacific. These had doubled to ten by 1990.

During the 1970s and 1980s aid was seen as an important instrument of foreign policy. It was given principally for political, not development reasons. Political outcomes were more important than the economic and humanitarian reasons for providing aid.[1] The 1986 Ministerial review report noted that "in the case of the South Pacific, the Government has made it clear it hopes that the aid programme can partially substitute for a most costly defence programme by strengthening the fragile dependent economies and building up regional structures the better to withstand outside pressures".[2]

In the 1971/72 financial year, forty-four percent of New Zealand's aid went to Pacific Island countries. By 1979 this had increased to 69 percent. At the end of the eighties the Pacific accounted for an estimated 80% of bilateral aid. During this period the focus of the aid also shifted away from budgetary assistance and infrastructure support. New areas of expertise emerged in the eighties including banking, geothermal energy, marketing, small business management, tourism and boat building.

In 1975 New Zealand's official aid amounted to 0.51% of GDP - its highest level ever. The 1972-75 Labour Government was strongly motivated by a moral and humanitarian obligation to seek to reduce poverty, disease and insecurity throughout the under-developed world and, in particular, to attempt to promote the social and economic betterment of near neighbours in the Pacific and South East Asia.

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[1] Henderson, John (1999) 'New Zealand and Oceania' in <u>New Zealand in World Affairs III 1972-1990</u> ed Bruce Brown

[2] Ministerial Review of the New Zealand Official Development Assistance Programme' May 1986 Development Cooperation Division.

In the later part of the seventies, New Zealand reported to the OECD that the serious deterioration in New Zealand's balance of payments had obliged the Government to delay progress towards the 0.7% of GNP target and that the ODA allocation would be reduced. This decline continued steadily throughout the decade, reaching 0.22% in 1989 and 1990. The lowest point was 0.21% of GNP in 1996. The decline in assistance is greater than these figures indicate. Up until the public sector reforms of the late-eighties many services had been provided free of charge to Pacific countries by New Zealand government departments, including meteorological services and airport calibration.

Despite changes in delivery and a decade of aid decline, the distinctive style of New Zealand ODA was retained. This was characterised by small projects (80% were less than NZ$150,000), a strong technical assistance element, continuing emphasis on targeting to rural areas, and a concern to accommodate recipient needs.

In its most recent report the OECD's Development Assistance Committee (DAC) drew attention to the impact which the large and growing number of priority countries and sectoral and thematic funds and schemes is having on New Zealand's bilateral assistance. It noted that in 1997/98, New Zealand provided ODA to a total of 92 recipient countries, up from 49 a decade earlier, and 66 in 1992/93. At the same time, the share of bilateral aid directed to the five largest recipients has been declining, from more than 50% in 1987/88 and 1992/93 to 37% in 1997/98.

During the 1990s, New Zealand typically provided approximately three-quarters of its ODA bilaterally and the remainder multilaterally. Multilateral organisations provide a channel for NZODA to reach least-developed countries, for delivering emergency and disaster relief and for supporting international efforts to alleviate poverty through development at the global and regional level. Through these contributions New Zealand is able to provide assistance to those regions where there is no direct New Zealand representation.

1.2.1 New Zealand's Special Relationships With the Cook Islands, Niue, Tokelau and Samoa

New Zealand has special constitutional relationships with the Cook Islands, Niue and Tokelau. The Cook Islands and Niue are self-governing in free association with New Zealand. Nationals of these countries hold New Zealand citizenship and have the right to live and work in New Zealand. Tokelau is a New Zealand territory.

By 1990 most of these countries' populations were living in New Zealand. The 1991 census revealed that there were 47,019 Cook Islanders in New Zealand - nearly three times the population of the Cook Islands. The 18,477 Niueans living in New Zealand were nearly eight times the population of Niue. Tokelau's New Zealand population of 4,917 was about three times the number of people living on Tokelau.

Samoa is one of New Zealand's largest bilateral ODA programmes. This is in large part a legacy of our shared history. After the formation of the League of Nations, Western Samoa became a mandated territory under the administration of New Zealand, gaining independence in 1962. The Treaty of Friendship (1962) between Western Samoa and New Zealand commits New Zealand to "consider sympathetically requests from the Government of Western Samoa for technical, administrative and other assistance." This responsibility underpins the bilateral relationship with Samoa, reflecting the previous colonial relationship, the strong linkages of family (100,000 New Zealand residents of Samoan descent), education (a majority of the Cabinet, business leaders and top civil servants have been educated in New Zealand) and trade (New Zealand is Samoa's largest source of imported goods).

1.3   Basic Facts About NZODA

In 2000/2001 New Zealand will contribute over $250 million to Official Development Assistance. This amounts to about 0.27 per cent of New Zealand's Gross National Product (GNP). MFAT is responsible for managing the bulk of this funding, which represents approximately 60% of the Ministry budget. The budget allocation for NZODA programme payments is $226,527,000. The costs of the administration and management of the aid programme are estimated at $15,582,000 for the year. New Zealand has been steadily increasing its aid volume since 1996. The 2000/2001 budget increase of $14 million represents a 6.5% increase over the previous financial year.

In 1999 OECD countries allocated a total of $USD 56 billion in Official Development Assistance. While in 1998 New Zealand had the second smallest ODA programme in the OECD, as a share of GNP NZODA exceeded the weighted average of the 22 Member countries of the OECD's DAC.

- New Zealand provided US$41 of ODA per head of population in 1998 - 17th position in the DAC

- its 1999 ODA represented 0.27% of GNP - New Zealand's highest level in a decade and the 13th ranking within the DAC.
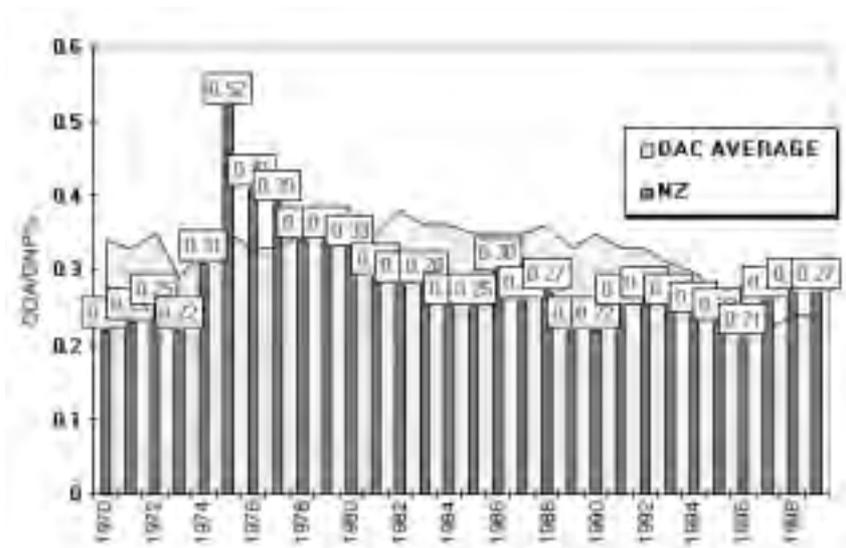
Table 1 : NZ ODA/GNP ratio in comparison with DAC Average since 1970

Seventy-four percent (NZ$167,407,000) of the 2000/01 ODA will be channelled through bilateral country programmes and the remaining 26 percent (NZ$59,120,000) through multilateral agencies.
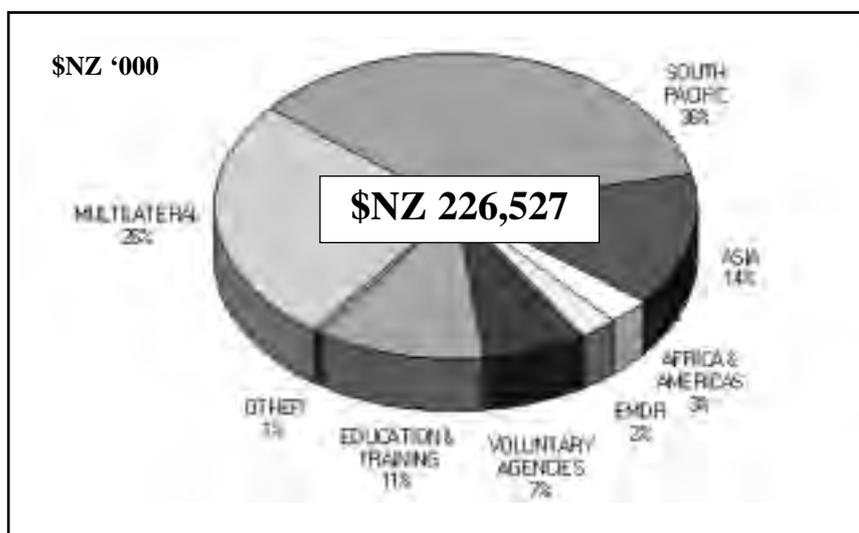
Table 2 : NZODA Allocations 2000-01 : Major Programme Groups
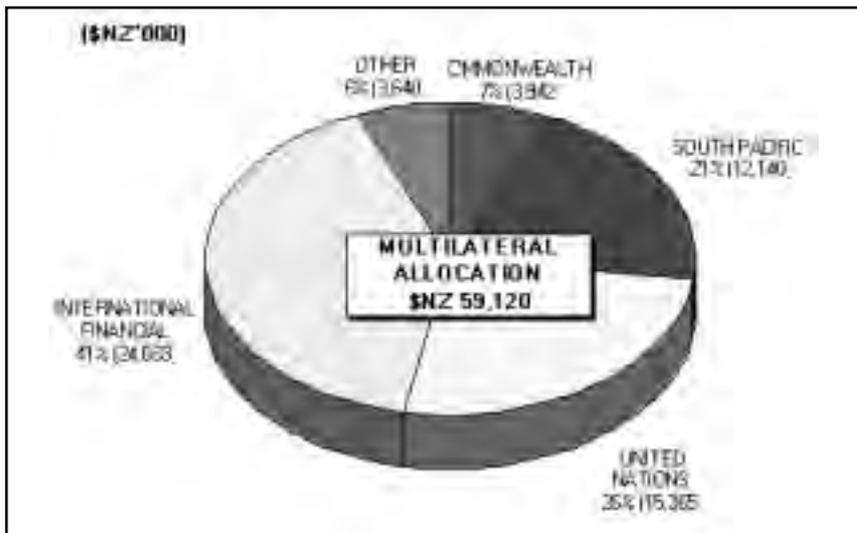
Table 3 : Multilateral Allocations 2000/2001

NZODA is delivered through bilateral, regional and multilateral programmes. Geographically it concentrates its country and regional support on Pacific Island countries and the developing countries of East and South East Asia. The 19 major bilateral partners are:

- Three current or former territories in the Pacific: Cook Islands, Niue and Tokelau.

- Eight other Pacific Island nations: Papua New Guinea, Fiji, Samoa, Kiribati, Solomon Islands, Tonga, Tuvalu and Vanuatu.

- Seven Countries in East and South East Asia: Cambodia, China, Indonesia, Lao PDR, the Philippines, Thailand and Viet Nam.

- One African Country: South Africa.

There are also small aid programmes in eastern and southern Africa and in South America. Assistance is provided primarily through educational scholarships, state and private sector linkages, non-governmental organisations, and through contributions to the development and relief efforts of the United Nations, Commonwealth and other multilateral organisations.
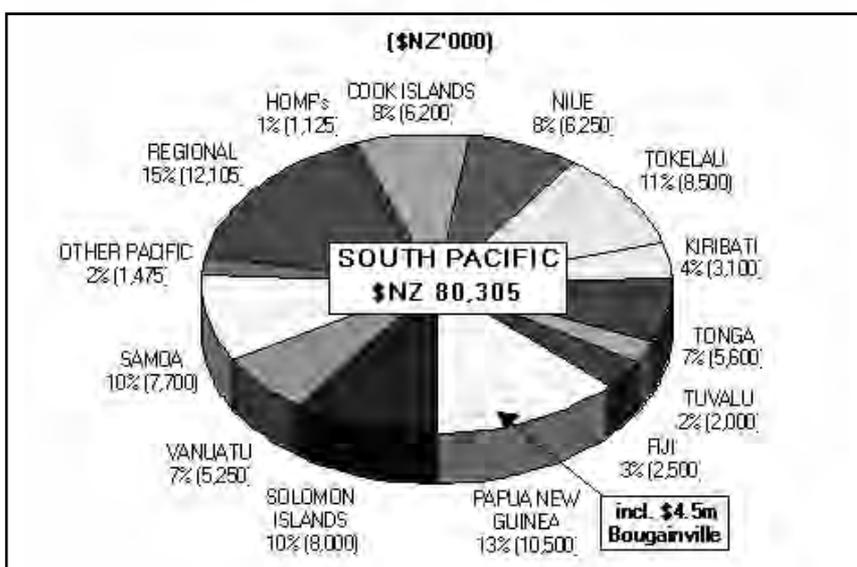
Table 4 : South Pacific Bilateral Allocations 2000/01

Net ODA in 1999, as a percentage of GNP
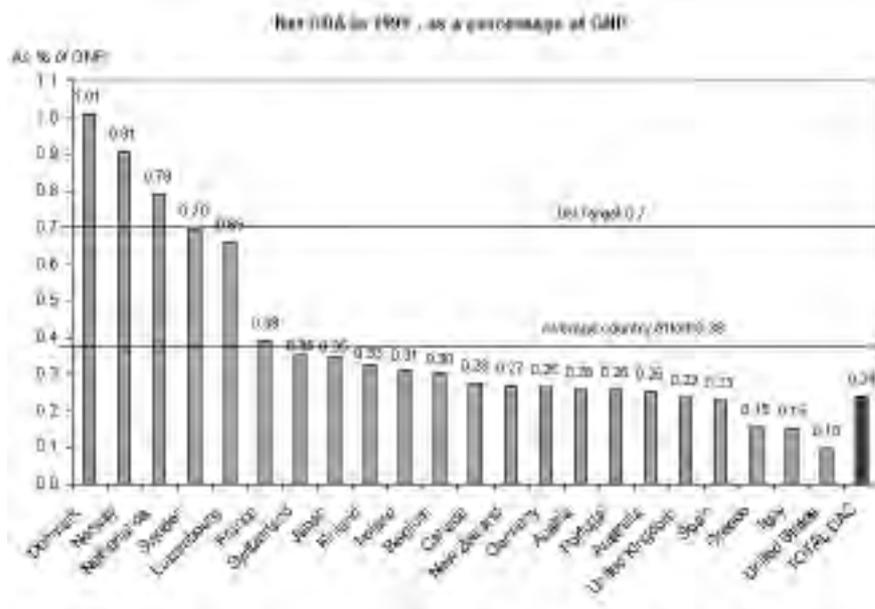
1.4 NZODA Management and Staffing

The Development Cooperation Division (DEV) of the Ministry of Foreign Affairs and Trade manages NZODA in conjunction with New Zealand's diplomatic posts in partner countries. DEV is one of approximately 30 Divisions in MFAT. DEV is the largest division within MFAT with just over 60 staff in Wellington (next largest division is information technology division with 41 staff). There are approximately 50 full time equivalent (FTEs) staff (NZ seconded and local) at posts funded by the NZODA budget. Most staff associated with NZODA, including all senior staff, are rotational foreign service officers. Total current MFAT staffing is 389 in Wellington and 207 in 48 overseas Posts, supplemented by approximately 300 local staff.

There are six discrete areas of activity in DEV, each of which is managed by a Deputy Director (DD). These cover:

- Pacific - Polynesia (DP1)

- Pacific - Melanesia and Micronesia (DP2)

- Asia and the Americas (DP3)

- Multi-lateral, Pacific Regional and Africa (DP4)

- Evaluation, analysis and programme support (DEAP)

- Information systems, contracts and scholarships management. (DISC)

Twenty-four of the staff of DEV are Development Programme Managers (DPMs) who manage development programmes, mostly country and regional programmes. There is no organisational or staffing chart for all of MFAT, which makes structural management comparisons of DEV Director and DDs against other senior MFAT management difficult.

In late 1999, a new Deputy Secretary position (one of five) was created, responsible for both the Pacific and Development Cooperation Divisions. This was done to strengthen the linkage between NZODA and New Zealand's political, trade and other relationships with Pacific Island countries. Prior to this appointment, there was no specific Deputy Secretary responsible for NZODA. The Director of DEV reports to the Deputy Secretary, who reports to the Secretary. The Secretary reports to the Minister or Foreign Affairs and Trade. The Director meets regularly with the Associate Minister of Foreign Affairs and Trade to discuss NZODA management, administrative matters and some policy matters.

Chapter Two

Context and Place for NZODA

2.1   Chapter Overview

This chapter describes the basis for NZODA and how that relates to poverty. It also discusses aid effectiveness. To achieve aid effectiveness there needs to be a tight focus on NZODA, limiting the numbers of countries we give to. A recommendation is made to reduce the number of bilateral partners from 63 to around ten. The review also recommends that NZODA retain a core focus on the South Pacific and this chapter provides the rationale for that.

2.2   Why Should We Give Aid?

Globally, 1.2 billion people - two thirds of them women - live in abject poverty. They do not have sufficient food, clean water or health care to meet the most fundamental human needs. Without education they are unable to fulfil even their most basic potential. In our own region of the South Pacific there are places of extreme poverty. In Solomon Islands adult literacy is only 30%. In Papua New Guinea life expectancy is 54 years.

New Zealanders feel a strong moral imperative to combat deprivation and suffering believing that as a more fortunate country we have a responsibility to help people in need. According to a recent study on New Zealanders' attitudes to aid, 71% generally approved and 18% disapproved of the NZ Government providing overseas aid to poorer countries. The primary reason driving support for giving overseas aid was humanitarian. 'Testing of the appropriate balance of humanitarian and self-interest arguments in favour of overseas aid turned up no contest at all. Humanitarian arguments overwhelmed the self-interest arguments.' [3]

Developed countries like New Zealand benefit from a more prosperous world that overseas development assistance can assist in achieving. Equitable development is fundamental to achieving peace and security. Aid that leads to prosperity can ameliorate global issues that make all nations insecure: armed conflict, refugees, health epidemics, plant and animal diseases, international crime, and global environmental problems. This issue of mutual dependence will become more compelling as, in the next 25 years, around 2 billion people will be added to the world's population, 97% of them in developing countries.[4] If this growth is managed badly we can expect major conflict over resources which will spill over borders and impact on nations, rich and poor.

This growing interdependence and interconnectedness of the modern world well illustrates issues of globalisation which in turn accentuate the need for development assistance. As the Secretary General of the United Nations has put it in his report to the Millennium Assembly:

'The central challenge we face today is to ensure that globalisation becomes a positive force for all the world's people, instead of leaving billions of them behind in squalor. Inclusive globalisation must be built on the great enabling force of the market, but market forces alone will not achieve it. It requires a broader effort to create a shared future, based upon our common humanity in all its diversity.'[5]

As a member of the OECD and one of the wealthier countries in the world, New Zealand has an international obligation to contribute to this shared future.

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[3] UMR Insight Ltd 'Overseas Aid. A Qualitative and Quantitative Benchmark Study' August 1999

[4] HMSO 2000 'Eliminating World Poverty: Making Globalisation Work for the Poor'. White Paper on International Development

[5] UN Secretary General, April 2000. Report to the Millennium Assembly. Quoted in HMSO 2000 'Eliminating World Poverty: Making Globalisation Work for the Poor'. White Paper on International Development

2.3   What is Poverty?

'Poverty' itself has various definitions.[6] Absolute poverty, or complete material destitution, has been quantified by the World Bank as living on less than US$1.00 per day. There are several contributing factors to poverty in addition to financial wealth. The Human Poverty Index recognises other forms of deprivation including illiteracy, survival rates, access to safe water, and access to health services to provide a national measure of development.

UNDP description of 'sustainable human development' suggests a broad humanitarian rationale for overseas development assistance: enlarging people's choices by expanding human capabilities. People are entitled to

- lead long and healthy lives,

- be knowledgeable, and

- have access to the resources necessary for a decent standard of living.

UNDP describes how these basic requirements are linked to issues of:

- human rights (encompassing civil, political, social, cultural and economic rights)

- collective wellbeing (because human development requires strong social cohesion and the equitable distribution of the benefits of progress)

- equity (in both income and in basic capabilities and opportunities) and

- sustainability (because enlarging people's choices today should not be at the cost of people in the future).[7]

In addition there are issues of poverty of vulnerability and of opportunity, both particularly relevant to the Pacific region. They are discussed in more detail below.

Well targeted, well designed ODA has contributed to social progress and poverty alleviation in the 50 years it has been in existence. Understanding what works and what does not in aid delivery is key to building on past successes.

2.4   Aid Effectiveness

There are nearly 190 developing and transition countries in the world.[8] How does New Zealand select which of these it should support through development assistance? A key answer to this question centres on aid effectiveness.

New Zealand's annual ODA allocation of NZ$250 million is a very small percentage of the NZ$133 billion given globally for aid. The challenge is to ensure that our relatively modest contribution to international development is used as effectively as possible. To assist in achieving this, it is important to avoid spreading our resources too thinly and to concentrate our resources in countries and with partners where aid will actually contribute to poverty reduction and not be wasted.

As will be argued, effective aid use requires donor knowledge of a bilateral partner country. It requires a thorough understanding of the factors that contribute to poverty and those that lead to poverty elimination. For a small country of limited resources like New Zealand, this is impossible to maintain across a large number of partner countries.

There are economies of scale in concentrating resources in fewer strategically selected developing countries. This in turn frees up resources to ensure aid interventions are well designed, effective and

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6   Material in this section is drawn from UNDP 'Pacific Human Development Report' 1999

7   Ibid

8   Chnag, Hyun-sik, Arthur Fell and Michael Laird 1999 'A Comparison of Management Systems for Development Co-operation in OECD/DAC Members' OECD.

closely monitored. As well, such concentration allows New Zealand to target its aid to countries where our more modest aid contribution can still have a significant, productive and measurable impact.

Currently New Zealand has 63 bilateral funding relationships and 19 major bilateral partners (11 in the Pacific and seven in East and South-East Asia). In addition NZODA has a large and growing number of sectoral and thematic funds and schemes that extend our reach to a total of 92 recipient countries. This figure is nearly double the number of recipient countries from 15 years ago. At the same time we are giving less to our most significant partners. Budgets for New Zealand's bilateral aid programmes range from $10.5 million for Papua New Guinea to $27,000 for Malaysia. Thirty-seven countries receive around $1 million or less annually. At this level of contribution New Zealand's ability to effect and measure change is negligible.

Other donor countries are recognising the importance of geographical focus and have acted to reduce the numbers of countries to which they give aid. Between 1995 and 1998 Denmark (with an aid vote 12 times that of New Zealand) shed 18 bilateral countries (including China) to focus on 20 core partners. Ireland (with an aid programme about the same size as New Zealand) has reduced its number of main bilateral partners to just six.

The review team believes that 92 recipient partners are far too many for New Zealand to manage effectively. It recommends that New Zealand select a core of countries on which to concentrate its development assistance, countries that we can and do know well. We acknowledge the extent and depth of poverty in parts of Africa and elsewhere in the world. However it is simply not possible for NZODA to play an effective bilateral role in such a vast field. Many public submissions to the review supported this view. To quote from two:

> 'The argument to concentrate more on Africa where the levels of poverty are greatest and development needs most apparent is compelling. However, the ability of a small donor, such as New Zealand, to bring about meaningful change is questionable.'

> 'In the past, NZODA has tended to be spread over a wide range of countries. While there may be geopolitical reasons for this it does not make most cost-effective use of scarce resources. The NZODA budget is relatively small and for that reason should be tightly focused if benefits are to be maximised.'

And a Foreign Affairs post submission made the point:

> 'Where NZ is a comparatively small donor there is even a greater need to focus NZODA...resources on a limited range of activities and geographic regions so that we can generate sufficient critical mass to enable a recognisable presence and effective management.'

2.5   Where Should We Give Aid?

For reasons developed below, this review recommends that the South Pacific remain central to New Zealand's aid effort.

With New Zealand's focus on the South Pacific where there are a large number of small and vulnerable nations, the review team believes there is justification to retain a larger number of partners than do other donor programmes of similar size to New Zealand, for example, Ireland. Nevertheless, we believe that about ten key partnerships are a more realistic number of major bilateral partners that New Zealand can effectively service. Within the Pacific this report will recommend a new secure status outside the ODA programme for those countries that New Zealand has constitutional obligations to Niue, Tokelau, and the Cook Islands. In addition, there is potential for one or two Pacific countries to graduate off aid within the foreseeable future. Both of these issues are discussed in section 2.6.

Outside the South Pacific, NZODA should adopt a Bilateral Assessment Framework to help select its bilateral development partners. Factors that should be taken into account in the development of this framework are:

Absolute poverty: Bilateral programs should be in those countries that have the greatest poverty and, within those (should there be a provincial focus) in the areas of greatest need.

Effectiveness: NZODA should be focused within those countries where aid is likely to be effective. Issues of effectiveness are developed in Chapter Three but here can be summarised as:

• Avoiding countries where there are already large numbers of donors and no integrated national plan to co-ordinate them

• Supporting countries with sound policy frameworks and existing commitment to poverty reduction

• Supporting civil society initiatives where that effectively contributes to poverty reduction.

Comparative advantage: NZODA's comparative advantage in aid delivery should be factored in to country selection. This would mean selecting countries for partnership that we have strong existing relationships with as well as sound knowledge of their development parameters. We would work in sectors and with methodologies that we excel in. (The concept of a comparative advantage for NZODA is further developed in section 3.5.4)

These three factors are ranked in order of importance. This means that a country or region must first be selected for reasons of poverty before effectiveness and then comparative advantage can be considered.

Under this scenario, foreign aid from New Zealand could still reach other countries of great need outside our bilateral partners through multilateral and NGO funding windows. However, we believe there is value in encouraging New Zealand NGOs to also take a fresh look at their geographical reach and associated effectiveness along with a renewed assessment of the poverty needs of the South Pacific.

2.6 New Zealand and the Pacific

2.6.1 Characteristics of the South Pacific

The Pacific region is one of great diversity: culturally, geographically, economically and developmentally. Fifteen developing countries are scattered over an area of the Pacific Ocean the size of China. They range from the world's largest tropical island - New Guinea to small atolls little more than strips of sand. Populations vary from 1,200 to over four and a half million. Countries extend from being one island in size to many hundreds of islands. The Pacific is one of the richest places on earth for cultural and language diversity. Cultures are vibrant, and traditional land is still central to most peoples' identity. Over one thousand indigenous languages are spoken in a region of only seven million people.

The developing countries of the Pacific can be grouped into three regions.

The Melanesian countries of Papua New Guinea, Solomon Islands, Vanuatu and Fiji (which shares some cultural characteristics of Polynesia) comprise the largest islands of the region. They make up the bulk of the land area in the Pacific and most of the population. (Papua New Guinea is home to two out of three people from the region.) The Melanesian countries are relatively rich in natural resources with diverse and extensive tropical forests and reefs and, in PNG in particular, with valuable mineral reserves. Despite being resource-rich, PNG, Solomon Islands and Vanuatu suffer from some of the lowest basic Human Development Index figures in the world. They have high population growth rates (amongst the highest in the world). Fiji stands out in these statistics as a Lower Middle Income Country with a better Human Development Index. Papua New Guinea has a strong development assistance link with Australia because of its historical relationship to that country.

The Polynesian countries of the Cook Islands, Niue, Samoa, Tonga, Tokelau and Tuvalu have a combined population of 300,000. These islands are smaller and less well endowed with natural resources. They have high levels of adult literacy and improved levels of life expectancy at birth over Melanesia. The slower population growth rates of the Polynesian countries reflect their easy emigration routes to New Zealand, Australia and the US. New Zealand has constitutional ties with Cook Islands, Niue and Tokelau making them New Zealand citizens and giving them the right to live in this country.

The Micronesian countries lie to the north of the equator: Federated States of Micronesia, Kiribati, Marshall Islands, Nauru and Palau. These resource-poor atoll groups are scattered across a large area of ocean. (Kiribati has 85,000 people living on 33 small islands.) Micronesia has widely varying Human Development Indicators, with Kiribati placed among the Least Developed Countries of the world, while Palau is classed as an Upper Middle Income Country. Palau and Federated States of Micronesia are former US Trust Territories and they, as well as the Republic of the Marshall Islands, have compact settlements with the US that have been providing them with significant budgetary support. The settlement periods expire in 2001 for Micronesia and Marshalls with no guarantee of assistance beyond 2003. The compact with Palau will run to 2010.

2.6.2 Poverty in the Pacific

Note: Some governments and individuals in the Pacific feel uncomfortable about the use of the term 'poverty' in a Pacific context, feeling that it links too closely with non-Pacific views of what affluence is or should be. This review uses definitions of poverty that have widespread recognition throughout the Pacific region. They are explained in this section.

The people of the Pacific have developed cultures, knowledge about the use of local biodiversity, and agricultural and fishing systems that have enabled them to survive and thrive for several thousand years in the isolated distant islands of the Pacific. Subsistence and semi-subsistence agriculture and fishing is still the mainstay of most Pacific economies. Around 80% of the population of Papua New Guinea, Solomon Islands and Vanuatu live in rural villages and obtain the bulk of their diet from subsistence agriculture.[9]

This subsistence economy, together with the strong cultural and social systems that exist in the Pacific (primarily centred on traditional land), provides a safety net that continues to ameliorate and mask a deepening issue of poverty.[10]

Growing population is putting pressure on the subsistence fishing and agricultural systems (excepting in those Polynesian and Micronesian countries where these pressures can be relieved to some extent by emigration). Environmental degradation is becoming widespread through the unsustainable use of land and sea resources and pollution. There is a growing desire for development and cash and yet insufficient income- generating opportunities to meet these needs. Lack of educational opportunity or inappropriate education is keeping people without the knowledge required to improve their development outlook. Pressures on the subsistence economy and a desire for an improved life is leading to urbanisation in countries that are often unable to manage the required housing, waste disposal, clean water and employment opportunities in urban areas. Governments often do not have the resources, the skills or the policies to meet basic development requirements in the fields of health, education, economic growth, and environment.

There has been some improvement in life expectancy across the region in the past few decades and fertility has declined or remained stable. As well, several Pacific Island countries are

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9 ADB 1992 'Environment and Development: A Pacific Island Perspective'
10 World Bank, 2000 'Pacific Regional Strategy'

beginning to do well economically (Samoa, Tonga and Fiji - prior to the most recent coup). However, there are clear indications that poverty, manifested in several ways, is widespread and becoming increasingly serious in the South Pacific.

In Papua New Guinea 25% of females and 20% of males do not survive to the age of 40.[11] In Tarawa (the urban centre of Kiribati) only 16% of people surveyed had paid jobs.[12] Seventy percent of adults in Solomon Islands are illiterate.[13] Rates of youth suicide in the Pacific are some of the highest in the world.

Particularly among the Polynesian countries, high Human Development Indicators and relatively high gross national product per capita in parts of the Pacific can paint a picture of some affluence. However, these statistics mask the vulnerability of small island developing countries. They suffer from distance from markets and suppliers, high transport costs, geographical dispersion, vulnerability to natural disasters (especially cyclones, droughts and volcanic eruptions), susceptibility to pollution, small internal markets, a narrow range of products (usually primary commodities with fluctuating but low value) and a small resource base. Global warming and its associated predicted sea level rise adds another dimension to vulnerability in the region. Every country in the region will be affected through the loss of coastal land and salinisation of low-lying land. For Tuvalu it could mean the drowning of an entire nation.

The South Pacific countries rank amongst the 28 'most vulnerable' countries in the world (using a vulnerability index developed by the Commonwealth Secretariat). Such vulnerability brings a unique dimension to the long-term stability of development success, the incidence and depth of poverty in the region, and to addressing poverty's root causes.

UNDP has defined a third type of poverty in the Pacific: poverty of opportunity. This is a multidimensional concept embracing lack of education, poor health, lack of economic assets, social exclusion and political marginalisation.[14] It leads to frustration and apathy. It can be a driving force behind emigration (where that is possible) causing steadily falling population numbers and further marginalising the services and skill base of those who remain. Like all forms of poverty it can also result in despair and violence.

One public submission to the review described Pacific poverty:

> 'Images of squatter settlements, begging, and children working on school days are not distant third world urban issues, but are dramatically on the rise in Pacific Island towns and cities.'

2.6.3 Why Should New Zealand ODA Retain a Core Focus on the South Pacific?

New Zealand has a long historical relationship with the South Pacific, beginning with Maori migration. Historically we have had colonial links with most of the Polynesian countries of the region and war-time links with the rest of the Pacific region. Six percent of New Zealand's population derives from the Pacific, a figure that will continue to increase. With our geographical place in the region, the South Pacific has become a significant influence on our national identity. Auckland is now the world's largest Polynesian city.

New Zealanders have a compassionate interest in addressing poverty and deprivation amongst our closest country neighbours. In addition we have constitutional commitments to three Pacific countries (Niue, Tokelau and the Cook Islands) and a bilateral 'Treaty of Friendship' with a fourth (Samoa).

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[11] UNDP 1999 'Pacific Human Development Report'
[12] UNDP 1999 'Pacific Human Development Report'
[13] UNDP 1999 'Pacific Human Development Report'
[14] UNDP 1999 'Pacific Human Development Report'

There are international expectations that New Zealand will adequately deal with the issues of poverty and development within its own region. Other international donors have different priorities or areas of expertise. This has resulted in two large donor countries (Britain and the USA) recently pulling all or most of their funding from the region to concentrate on other parts of the developing world.

New Zealand is expected to be knowledgeable about the Pacific and to be a source of expertise in dealing with development concerns here. The Pacific is the logical place for New Zealand to be concentrating its development assistance. Unlike any other region in the developing world, we are a comparatively large donor here and can potentially make a measurable difference to poverty. We have a comparative advantage that we can build on and improve.

Finally, it is important that New Zealand take seriously the Pacific, its problems and potential for New Zealand's own security. In the past year we have seen violent conflict in two Pacific countries. Political instability could be poised to become endemic in a number of countries of the region. New Zealand has already received many thousand economic 'refugees' escaping the poverty of opportunity in their home islands. Those numbers will increase unless development conditions improve for them. Political refugees have come to New Zealand from Fiji and it is highly possible that we will need to allow environmental 'refugees' into this country if the rate of environmental degradation continues, particularly in the small island states. Problems with biosecurity and with uncontrolled outbreaks of infectious disease will spread beyond national borders in a region where there is much trade and travel.

The public submissions to the review including NGOs, the private sector, education institutes and individuals, widely supported NZODA retaining a primary focus on the Pacific. Some thoughts included:

> 'We believe that the expertise and understanding that New Zealand has developed over the past decades in the Pacific Island region is unmatched by other bilateral donors and it is critical that this be continued.'

> 'In an era of globalisation , where special access to metropolitan markets for Pacific Island exports is no longer assured and where the strategic importance of the region is no longer critical to superpowers, there is a danger that the region may be overlooked and neglected. The region is not well positioned to survive, let alone prosper, in the new global economy, just as it is likely to be one of the first casualties of global environmental change through sea level rise'

> "We have no option by to continue our primary emphasis on the South Pacific.'

2.6.4 How Should NZODA be Focused in the Pacific?

Appendix B addresses in part the review's Terms of Reference Part Two, analysing the Pacific context as background to this report. It discusses some of the root causes of poverty and instability in the region noting five key areas:

- Lack of employment and income generation opportunities
- Poor quality of, and lack of access to, basic education and vocational training
- Poor basic health
- Mounting environmental concerns
- Issues of good governance and sound policy frameworks.

Appendix B notes that throughout the Pacific region, the semi-subsistence sector has been the social safety net for people. That sector is declining in its viability because of population growth, environmental degradation, and the desire of people for a better quality of life than a subsistence

economy can support. There is not, however, the employment and income generating opportunities available to absorb particularly the 1.4 million young people (aged between 15 and 24 years) in the Pacific region. In Solomon Islands those seeking paid employment outnumbered available waged jobs by ten to one. Unemployment at these levels among young people fuels frustration and leads to serious social problems and conflict. In Solomon Islands the majority of the recruits to both sides of the recent armed ethnic conflict are young unemployed men who are not easily controlled by the political leaders of either side. An imaginative approach needs to be taken to developing income generating opportunities for the huge numbers of people who seek it. At the same time, it is crucial that the vitality and sustainability of the subsistence sector is maintained, as it will remain the only affordable social security system in the Pacific for the majority of the population here.

Papua New Guinea and Solomon Islands have appaling primary school enrolment statistics (31 % and 39% respectively). Lack of education has been shown to contribute to unemployment, poverty and crime. Throughout the region there is a need for education programmes that are relevant to national priorities and to people's needs for knowledge, skills and livelihoods as well as fostering national unity and ethnic tolerance. At present, inadequate levels of often inappropriate schooling are providing young people with a false sense of empowerment and a large number of dropouts and graduates with few useful skills - socially a very dangerous mix.

Solomon Islands, Papua New Guinea and Vanuatu suffer from serious fundamental health indicators: low life expectancy, limited access to safe water and sanitation, high infant mortality rates and very high populations per doctor. There is a special need for improvements in policy, planning and administrative capacity in the health sector.

There are four main challenges to the Pacific Island environment: industrial-scale resource use, landowner resource use, urban pollution and pests and weeds. These issues are all closely linked with human development potential through subsistence farming and fishing, through access to clean water, through the economic benefits of fishing, forestry or tourism, and through the foundation of cultural.

Finally there are issues of good governance, enabling government policy frameworks and strong civil society. Without these, development of economies and communities and individuals is unlikely to be achievable.

The linkages between these issues, poverty, development, civil strife and prosperity are complex as they are in all countries. Resolving them is primarily a role of national governments and peoples of this region but development assistance has a crucial role to play. Aid can assist through provision of resources for policy development, supporting good governance and the development of civil society, and providing targeted assistance to key sectors such as education, health, and the environment.

To be effective, aid delivered to this region first needs to fully understand the development parameters of the Pacific. Solutions and methodologies need to be Pacific-centred. Aid needs to be informed by the daily living circumstances of Pacific people both in the village and in urban areas. It needs to understand the cultural setting, the motivating imperatives of individuals, and the role of governments, churches, NGOs, and village leaders. It needs to understand colonial history, patterns of resource use, and where development aid has succeeded or failed in the past.

Effective aid uses this knowledge to inform international best practice in development assistance. Effective aid to the Pacific would see close cooperation with other donors and would build capacity in both governments and civil society to ensure partner country leadership in development planning.

And to efficiently tackle poverty development assistance, aid needs to be driven by poverty reduction strategies and policies rather than by foreign affairs imperatives.

Chapter Three will describe in more detail the fundamental components of international best practice in development assistance. But to summarise those here, NZODA in the Pacific needs to be informed by a poverty analysis for each country that it works in, an analysis that identifies factors that contribute to poverty and articulates the key issues characterising every day life for the poor. The poverty analyses need to be worked into country programme strategies, development strategies that are ideally led by national governments and that identify key roles for each donor in a closely coordinated manner. NZODA needs to design its aid programmes accordingly.

Bilateral aid allocations should then reflect the degree of poverty in each country, the number of other donors, amount of aid a country is receiving and the absorptive capacity of these countries, along with the willingness of each government to pursue development-oriented pro-poor policies based on respect for human rights.

The poverty analyses and country programme strategies should inform a Pacific Regional Strategy for NZODA, one that articulates a vision for a poverty free Pacific that is still rich with its cultural heritage and natural environment, and that describes NZODA's role in helping to achieve that.

Contributing to a Pacific Regional Strategy should be an objective analysis of the role of the regional institutions here.

Some aid objectives are better met regionally than bilaterally. The small size of many countries means that it is more cost effective to pool resources and establish regional centres of expertise than each country attempting to replicate technical functions. As well, Pacific leaders have found regional forums an effective way of tackling concerns which transcend national boundaries or which many nations have in common. These include climate change, international crime, health, and fisheries. Regional institutions established for both these sets of reasons include the Forum Secretariat, the Secretariat of the Pacific Community, the South Pacific Applied Geoscience Commission, South Pacific Regional Environment Programme, and the University of the South Pacific.

This review recommends that NZODA reviews its support of the Pacific regional institutions, along with its own regional funding initiatives and decides how best regional work can meet the objectives of a poverty eradication goal in the Pacific. A Regional Institutions Assessment Framework should be developed along the lines of the Multilateral Assessment Framework described in section 3.5.6.

2.6.5 Sustainability in Aid

The logical outcome of effective development assistance is graduation: a nation uses well-targeted development assistance wisely and achieves sufficient equitable growth so that it no longer needs on-going aid. This is potentially achievable in the foreseeable future for many Pacific countries -such as Samoa, Tonga and the Cook Islands. For other countries their small size, vulnerability to natural disasters, and their small resource base mean that they are likely to require aid permanently (such as Tuvalu and Kiribati). For the entire region however, the factors that have been formidable barriers to rapid development - remoteness along with economic and environmental vulnerability - mean that the Pacific donor community will always have a role to play even for the economically robust and resource wealthy countries.

Under these scenarios, the key to sustainability in aid delivery is to ensure aid is well targeted, strategically delivered and achieves the maximum return for investment. Bilateral aid allocations should reflect national need, capacity to deliver and the desired long-term role of aid in the national economy.

The current situation is that some South Pacific nations are among the most aid-dependent countries in the world with aid to GDP ratios as high as 47% in Kiribati, 38% in Marshalls and 29% in Samoa.[15] Such high levels of dependence can compromise national sovereignty and stifle local initiative. Even where long-term aid is essential, countries should be looking for opportunities to increase their self-reliance.[16] The Tuvalu Trust Fund and the Kiribati Revenue Equalisation Reserve Fund are two examples of where aid-dependent countries have been given greater flexibility in the use of their aid resources. There is potential to expand on these concepts in the region to creatively examine new mechanisms for the provision of permanent dependence on aid.[17]

2.6.6 Constitutional Commitments

New Zealand has constitutional commitments to three Pacific Island countries: Niue, Cook Islands and Tokelau. The Cook Islands and Niue are self-governing in free association with New Zealand. Nationals of these countries hold New Zealand citizenship and have the right to live and work in New Zealand. Tokelau is a New Zealand territory. By 1990 most of these countries' populations were living in New Zealand. With Niue a clear legal commitment states 'It shall be the continuing responsibility of the Government of New Zealand to provide necessary economic and administrative assistance to Niue.' ODA assistance to Niue is close to 100% of its GDP. It is also high for Tokelau and the Cook Islands.

The review team believes that these constitutional obligations should not be met through ODA. Niue and the Cook Islands are relatively wealthy countries. Niue, the Cook Islands and Tokelau are entitled to direct financial support from New Zealand through their constitutional arrangements. They are payments as of right. The relationship with these countries comprising New Zealand citizens should be managed through Foreign Affairs or another appropriate body. ODA could still be provided for specific poverty elimination needs within those countries but this would need to meet the same criteria for ODA as all other bilateral countries.

2.6.7 Pacific Cultures, Development and the Implications for NZODA

The development and poverty elimination issues discussed in this section will be most effectively and appropriately addressed through a flourishing Pacific cultural medium. Pacific peoples are determined to retain their unique cultures and languages and it is important for development outcomes that they do. A robust cultural setting provides a sense of belonging to a community. It can help achieve ownership over problems while being a source of creative and productive solution-finding. A strong culture can also lay the foundations for individually satisfying and fulfilling lives. Pacific cultures are continually being modified and adapted and are potentially well suited to robust interaction with a modern global world.

There are, however, developmental problems that are sourced in, or magnified by, the cultural framework of the region.

Throughout the Pacific, traditional elites have effectively captured development opportunities to their own advantage, sometimes accentuating inequity in their societies. Cash and urbanisation have highlighted these economic differences.[18] In Honiara, less than 1% of households shared more than 50% of total earnings.[19]

Particularly in Melanesia, women have suffered through lower status in the community, resulting in poorer health, being victims of violence and having reduced access to education and economic advancement.

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[15] World Bank, 2000 'Pacific Regional Strategy'

[16] World Bank, 2000 'Pacific Regional Strategy'

[17] AusAID "Pacific Islands Development Strategy, 1999 to 2001'

[18] UNDP 1999 'Pacific Human Development Report'

[19] From a household survey conducted in the early 1990s reported in UNDP 1999 'Pacific Human Development Report'

Land tenure systems sometimes concentrate resources into the hands of the land-rich, creating pockets of poverty for those who have no access to tenure. As well, it is challenging to devise systems that allow economic development over collectively owned land.

Throughout the Pacific, citizens are seeking answers to these problems through education, by drawing on traditional systems of reciprocity, and through agitation for cultural change and adaptation.

The key issue for development assistance is that aid programmes need to be fully cognisant of the significance and value of the Pacific cultures, and skilled in designing development solutions that will work in this context. That can only be achieved through building partnerships with Pacific people, achieving ownership of aid programmes by Pacific people, and ensuring the use of Pacific-centred approaches and Pacific-knowledgeable staff and consultants. As well, there is scope for considering specific development programmes that aim to encourage and nurture the cultural medium of the region.

Both Iwi Maori and the Pacific Islands communities in New Zealand and the Pacific have called for a greater focus on indigenous exchange in addressing Pacific development issues. There are valuable models of indigenous business development with Iwi Maori in New Zealand including forestry and tourism. Iwi Maori work on genealogy-based approaches to land tenure systems that resolve resource management problems and enable collateral for business development are already being studied with interest by Pacific Island communities. The balance being struck by Maori tribal authorities between economic development, conservation and social development has value to Pacific Island governments and communities. The concept of indigenous people learning directly off each other through exchange and other innovative forms of consultancy has great appeal in this region.

In addition, within New Zealand there is valuable pertinent work being done by Pacific Island communities in the provision of social services to their people. Not only are some of the models for service delivery of interest, but the impact of these systems on community empowerment and self-sufficiency is of interest to the South Pacific. The advantage of involving the New Zealand Pacific community in ODA design and delivery extends beyond the value of interesting models of development. It would build on the strong relationships between peoples across this region. Polynesians in particular have family survival strategies that span countries, keeping people linked across a region that for a millennium has seen active travel and exchange. Pacific people in New Zealand remain knowledgeable about the cultures and development parameters of their home countries.

Both Iwi Maori and New Zealand's Pacific Island community potentially form part of NZODA's comparative advantage and would add significant value to New Zealand's development assistance in policy development, and ODA design and delivery. NZODA is just beginning to look at how to involve the New Zealand Pacific community in its work. However, a deeper cultural change within NZODA will be required to most effectively harness the advantages of indigenous partnerships. As one stakeholder who talked to the review team put it: 'Are the people you are delivering the aid to represented within the Ministry? You've got to look at your processes, your internal structures'.

Chapter Three

Vision for NZODA

3.1   Chapter Overview

This chapter provides a vision for what NZODA should and could be like in terms of its goal, policy framework, focus, use of best practice, relationship building, evaluation, and as an institution. These key areas of aid design and delivery are based on recognised international best practice which has been extensively studied by the review team to ensure it is applicable and workable in New Zealand's own context.

3.2   Introduction

Development is an uncertain and complex business. It is multidimensional, interfacing with politics, trade, environment, culture, social conditions, history, geography, personalities, conflict, disasters and windfalls. ODA contribution to development as described by the World Bank has been 'highly effective, totally ineffective and everything in between. Perhaps that is to be expected in a complex endeavour that has spanned half a century with scores of countries as donors, a hundred countries as recipients, tens of thousands of specific activities and nearly US$1 trillion in finance.'[20]

With the global consequences of inequitable development now so critical, there is a heightened commitment among most donor countries to ensure that aid is effective in reducing and then eliminating poverty. And despite the complexity of the task there are clear findings for best practice for aid design and delivery. They fall into two categories:

> *Aid design:* This builds on the long evolution of understanding the dynamics of poverty and the role of recipient governments and civil society in addressing those dynamics. It includes knowing that good governance, sound policy settings and strengthened local capacity are essential for successful national development. Addressing gender issues and ensuring recipient participation and ownership of aid programmes are essential. Aid only works if it is part of core sectoral reform. There are other findings in this category which are discussed in more detail below.

> *Aid delivery:* A core finding here is the importance of having a clear single focus of poverty elimination for an ODA agency. This focus should be 'mainstreamed' throughout the institution so staff are skilled in it, are offered further training in it, and are rewarded for successfully addressing it. Poverty elimination should define the objectives of the agency, it should underpin its policy framework and it should clearly point to priorities in aid expenditure.

These two components of ODA together provide the basis for achieving excellence in development assistance. They will not make poverty elimination less complex - there is no magic bullet - but they can ensure that resources are tightly focused on an unambiguous goal and therefore more likely to achieve it.

New Zealand has the opportunity to draw on the best international findings in foreign aid and its own experiences, to create an innovative aid programme that has a clear strategic direction, and is cutting-edge, impact-focused, responsive to the countries that we assist, and a learning organisation. With measurable objectives, it would be clearly accountable to all New Zealanders, to partner governments and other stakeholders for its performance. Staffed with aid professionals it could be deeply knowledgeable about both the dimensions of poverty and the development parameters of our partner countries. Despite the comparatively small size of our aid programme New Zealand has the potential to have international impact as a leader in development thinking and practice.

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[20] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

This section describes what parameters of aid design are required and what kind of agency is needed to deliver this vision.

3.3 One Clear Goal

The overarching goal of a successful aid programme should be:

the elimination of poverty

The goal of an aid agency needs to be stripped of all other competing (and often conflicting) foreign affairs and trade goals. The task of addressing poverty is complex enough, dynamic enough and hard enough to evaluate without having the task further confused by a multiple goals. It is not possible to efficiently and effectively address poverty, serve in the national interest and promote trade all at the same time. Each task is quite different from the others requiring different strategies, different kinds of partnerships, different policy settings, different organisational cultures, and different skills. With a 'tripartite' mission, success or failure in any one goal is never clear as outcomes (if articulated) cannot be attributed to any single action or approach. There is no evidence to suggest that donor spending of aid actually is successful in constituency building or achieving trade objectives.

Problems caused by multiple goals have been recognised by DAC members. The majority of DAC agencies now have poverty reduction as their sole overarching goal.[21] DfID, the British ODA programme, describes how 'after years in which development policy was subordinated to commercial and short term political interests, the UK's development strategy is now focused on the reduction of abject poverty in the world.'[22] The Danish agency clearly states: 'Poverty reduction is the fundamental principle of Danish development policy. No other objective figures above or beside this basic goal'.[23]

As a result of the 1997 Simons Review, AusAID has adopted one clear objective based on poverty reduction. The Asian Development Bank used to have many strategic development objectives. Now its overarching objective is poverty reduction. This is at the centre of its operations with other strategic objectives pursued in ways that contribute most effectively to reducing poverty.[24]

3.4 Policy Framework

Under one clear goal, the objectives and approach of a good aid programme can be grounded in a strong policy framework. A policy framework sets the rationale and direction of the aid work, making it clear what the desired outcomes of the programme are. It includes a conceptual framework, objectives, policy statements or principles, and priorities. It also has a strategic plan to guide overall policy implementation.

3.4.1 The Conceptual Framework

If donors are to develop strategies and interventions to effectively tackle poverty they need to define the nature of poverty, why it occurs and who it affects. The answers to these questions make up a conceptual framework of poverty elimination that then informs the aid agency's objectives, strategies and interventions.[25] As part of 'mainstreaming' the goal of poverty elimination, the agency needs to articulate the linkages between all parts of the conceptual framework and operations to benefits for poor people.

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[21] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

[22] HMSO 2000 'Eliminating World Poverty: Making Globalisation Work for the Poor. White Paper on International Development'.

[23] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

[24] HMSO 2000 'Eliminating World Poverty: Making Globalisation Work for the Poor. White Paper on International Development'.

[25] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

3.4.2 Objectives

Excellence in aid delivery requires objectives that specify the desired outcomes of an aid programme. They should be specific and clearly defined. They should be measurable, attainable, and time-bound. They should also be impact oriented, focused on addressing the underlying causes of poverty.

All aid agencies of the OECD (including New Zealand) have signed up to the International Development Targets and some agencies have made the International Development Targets the objectives of their aid programmes.

The International Development Targets are as follows:[26]

i   A reduction by one half in the proportion of people living in extreme poverty by 2015

ii   Universal primary education in all countries by 2015

iii   Demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005

iv   A reduction by two-thirds in the mortality rates for infants and children under age five and a reduction by three-fourths in maternal mortality - all by 2015

v   Access through the primary healthcare system to reproductive health services for all individuals of appropriate ages as soon as possible, and no later than the year 2015

vi   The implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that the current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.

These International Development Targets have unprecedented international consensus having been endorsed by the World Bank and the International Monetary Fund, by the European Union, by 77 African, Caribbean and Pacific countries and by DAC of the OECD.[27] They are seen as valuable indicators of progress, clarifying the vision of a higher quality of life for all people. Each DAC member is asked regularly to report on what steps it has taken to implement the International Development Targets. DfID (the British aid agency) states that it focuses 'of all of our development effort on the achievement of the IDTs. They remain absolutely central to our development strategy including the policies we pursue through multilateral institutions.'[28]

The review team believes that NZODA should adopt the International Development Targets as its own foreign aid objectives. We believe they represent unique international consensus around crucial development outputs. As a responsible member of the international community, New Zealand has already endorsed the International Development Targets. We should now give effect to them through our aid programme and the best way of achieving that is to sign them on as the objectives of our foreign aid programme.

In terms of the impact on our own aid programme and the development priorities of our bilateral partners, we believe that the International Development Targets provide a valuable mix between strategic focus and broader objectives. The strategic focus is provided by International Development Targets numbers ii, iii and iv and v. And a range of bilateral partner needs can be considered within numbers i and vii.

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[26] HMSO 2000 'Eliminating World Poverty: Making Globalisation Work for the Poor. White Paper on International Development'.
[27] HMSO 2000 'Eliminating World Poverty: Making Globalisation Work for the Poor. White Paper on International Development'.
[28] HMSO 2000 'Eliminating World Poverty: Making Globalisation Work for the Poor. White Paper on International Development'.

3.4.3 Policy Statements

Policy statements define the parameters of operation for aid sectors and issues. They describe the values of the agency for each sector of work and describe the agency's strategic approach for working in that sector. Policy statements should have a goal, measurable objectives, strategies for implementation and a monitoring and evaluation plan. The NZODA policy on Gender and Development provides an example of this approach.

Policy statements should be required for each sector that NZODA operates in, such as health, education and governance. In addition, some policy areas are so fundamental to the eradication of poverty that they should be 'mainstreamed'. In other words their defined values need to be taken into account in all activities and at all organisational levels. The three policy areas the review team believes should be mainstreamed in a New Zealand ODA programme are gender, environment and human rights.

Women have not shared equally in the benefits of development and they represent 70% of the 1.3 billion people living in poverty. Investing in the development of women and ensuring their equitable participation in development programmes has been shown to significantly enhance the success of foreign aid delivery.

Environmental degradation is linked to poverty. A degraded environment creates poverty and poverty itself can exacerbate environmental degradation. Human development and wellbeing depends on healthy and diverse ecosystems.

Human Rights

Fundamental to the elimination of poverty are human rights. Poverty can be defined as the inability to exercise basic social and economic human rights. Effective development requires empowerment of the poor, including enabling full participation by citizens in the governance of their society at all levels. Effective development also requires removing all forms of discrimination, having free media and the right to an inclusive and fair electoral process.

Australia, which has adopted a rights-based approach to development states that 'development and human rights are interdependent and mutually reinforcing...civil and political rights are ranked equally with economic, social and cultural rights'. The World Bank reports that investment projects have been more effective in countries where citizens enjoy civil liberties.[29]

In addition, core development issues are also human rights issues. In the 1948 Universal Declaration of Human Rights these rights are set out particularly in Articles 25 and 26 and are further articulated in the 1966 International Covenant on Social, Economic and Cultural Rights (both of which New Zealand is a signatory to).

> *Article 25:* 'Everyone has the right to a standard of living adequate for health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

> *Article 26:* 'Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory.'

According to the Human Development Report 2000, a strengthened rights based approach has been adopted by Australia, Sweden, the United Kingdom, UNDP and UNICEF.[30]

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[29] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press
[30] UNDP, 2000 'Human Development Report'

Several public submissions to this review expressed the importance of NZODA adopting a human rights based approach to development. Four submissions appended their separate submissions to the Foreign Affairs, Defense and Trade Select Committee on the role of human rights in foreign policy inquiry. Comments included the following:

'Internationally there is a trend towards using a human rights framework for overseas aid.'

'A major limitation of NZODA is...the neglect of explicit mention of security and human rights.'

This review recommends that NZODA should operationalise a human rights based approach to development assistance and mainstream it through the agency. This will require by staff a thorough understanding of human rights and their role in poverty.

3.4.4 Priorities

Even with a single focused goal, clear objectives, and sound policy statements, it is necessary to make transparent how staff of a development agency should set priorities for interventions within a recipient country, between bilateral partner countries, and between bilateral foreign aid delivery and other means of aid distribution.

3.4.5 Strategic Plan

Finally, it is important for the policy framework to have a strategic plan to guide overall policy implementation, to set a timeframe and work plan for achieving the goals, objectives, policy statements and priorities defined by the policy framework.

3.5 Focus

Focus is necessary for an agency to successfully and efficiently deliver aid. NZODA can not maximise aid impact if it is working in more countries and across more sectors than it has the resources to fully support.

There are four key components to the focus of an aid programme: what countries the agency should be working in; what sectors the agency should focus on; what strategic approach is required in the recipient country; and what funding mechanisms should the agency be using (bilateral, NGO, multilateral, regional).

3.5.1 Countries

Section 2.5 recommends that New Zealand reduce its bilateral partners from 63 to around ten, and retain and deepen a focus on the Pacific. With these reduced numbers of partners, New Zealand can concentrate its development assistance funds, build knowledge and expertise, and in the process design and deliver much more effective, better targeted aid. Section 2.5 proposes a framework to determine which bilateral partners should be kept and which gradually shed.

3.5.2 Sectors

What sectors should NZODA focus on? There are two parts to the answer: what aid interventions are required and desired by recipient countries; and what is New Zealand's comparative advantage in development interventions.

3.5.3 What Aid Interventions are Required

The most valuable way of assessing how aid should be focused within a partner country is through a country-based poverty analysis. A poverty analysis provides a comprehensive assessment of the nature of poverty in the country, its causes and possible options for its elimination.

New Zealand's aid programme must be based on a poverty analysis in every country with which it has bilateral relations. Only then can it be confident that its interventions are based on strategic analysis with clear expected outcomes and therefore have the best chance of success. NZODA should provide capacity building support to enable countries to develop their own poverty strategies. This would provide a basis for determining the most effective role NZODA might play alongside other donors. Donors should cooperate closely in such an exercise to avoid duplication and imposing additional burdens on partners.

3.5.4 NZODA's Comparative Advantage

For each area of development that an agency works in, there must be sufficient in-house skills for the agency to be able to effectively articulate the problem being addressed and to broadly define the solution. The interventions themselves may be managed by consultants but the agency needs to understand precisely which external skills are required and to recruit and vet effectively.[31] Effective aid requires specialisation. An agency the size of New Zealand cannot hold on staff the entire range of skills required to direct aid interventions across all sectors. Instead it should define its 'centres of excellence' - those fields that NZODA knows it can deliver in.

The 'centres of excellence' must be very carefully developed and managed so they do not become drivers of the aid programme. They should be selected only after a thorough review of bilateral partner needs through a series of poverty analyses. This process will highlight core areas of need particularly where New Zealand has focused its aid: the Pacific. Most or all of the identified issues will have a life of a decade or more. It would be an effective investment for NZODA to select those fields that it believes it could excel in delivering in and then draw the appropriate skills and experience into its staff and consulting core. The centres of excellence will evolve over time as the needs of partners change and develop and as the partners themselves graduate off aid and other partners are added.

The concept of New Zealand's comparative advantage led by centres of excellence should apply not just to sectors but (even more importantly) to the countries and regions where New Zealand decides to focus its aid. Certainly, NZODA should be staffed with people with an understanding of the development parameters, culture, environment and languages of the Pacific. This kind of deep institutional knowledge should be available for all the regions that NZODA has bilateral relations in.

A distinction needs to be drawn between the comparative advantage of New Zealand as a country and NZODA's centres of excellence. They are not necessarily the same. Promoting New Zealand's international comparative advantage through the aid programme in the past has resulted in inappropriate donor-driven initiatives. Examples include dairy and sheep farming and forestry projects using New Zealand models in recipient countries with vastly different economies, climates, ecosystems and cultures. However, should NZODA identify through poverty analyses in recipient countries the need for expertise that New Zealand as a nation has, then there is potential for overlap. Iwi Maori development models and Pacific Island community social services provision are two that come to mind. As well, the necessity and ability of a small aid programme from a small country to think small is potentially a comparative advantage when it comes to understanding the constraints of other small island development issues.

If NZODA can articulate and then deliver a comparative advantage that is led by developing partner needs it will help to define an international profile for our aid programme. Such a profile provides the basis for contributing ideas and experience in our targeted areas. It provides the

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[31] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

intellectual and experience basis for influence in the multilateral arena. Even a large donor like the UK relies on the authority it gains through excelling in bilateral field programmes to influence multilateral aid.[32]

3.5.5 Country Programme Strategy

Once a poverty analysis has been conducted and NZODA has identified which interventions it is best qualified to address, a Country Programme Strategy should be designed in partnership with bilateral governments and civil society. The Country Programme Strategy helps to further focus the bilateral aid effort by articulating a programme with clear linkages to the poverty analysis and reflecting the priorities thrown up by it. Country Programme Strategies should consider recurrent cost finance (required to sustain a project after implementation) and absorptive capacity of each country.

The implementation of the Country Programme Strategy is monitored, and performance against stated outcomes is accounted for.[33] The Country Programme Strategy development must be participatory (see below).

Several public submissions to the review discussed the need for a strategic approach to country strategies. Two comments are included:

'In the future, country strategies should take as their starting point a poverty analysis which identifies areas and sectors of poverty and inequality.'

'A greater proportion of effort (should) go into participatory poverty analysis, including focusing on the systemic factors contributing to poverty in the particular communities.'

3.5.6 Funding Mechanisms

The final area of focus to be considered for an aid programme is the funding mechanism through which aid is delivered: bilateral, multilateral, NGO or regional.

The choices and budget allocations must be based on careful strategic analysis of the agency's objectives and comparative advantage. Where other delivery mechanisms could better achieve the agency's objectives they should be used.

Multilateral and Regional Assessment Framework Approach

There are a great number of multilateral and regional funding options that an aid agency can use in the delivery of ODA objectives. There should be a systematic and strategic approach to analysing which of these are appropriate for NZODA, and if so, to what funding level.

AusAID developed the Multilateral Assessment Framework to assist it in this process. The Multilateral Assessment Framework calls for annual assessments of each agency and periodic in-depth reviews of selected agencies. It is described as an iterative process. Over time, more systematic information gathering should lead to fuller assessment and more strategic engagement. AusAID states that 'decisions on future support for agencies will take account of the extent to which each agency's mandate contributes to the meeting of Australia's aid objective, and the efficiency and effectiveness of the agency'. All agencies receiving over A$200,000 annually are subject to the Multilateral Assessment Framework.

In other DAC countries, Denmark allocates its financial contributions to those UN agencies that have a poverty focus and then makes an effort to make these agencies even more poverty

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[32] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

[33] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

focused. This forms part of what the Danish call 'active multilateralism' whose purpose is to put pressure on multilateral institutions to give higher priority to poverty reduction and to increase contributions to organisations with efficient and poverty-oriented programmes.[34]

This review recommends that NZODA should develop an accountable assessment framework approach to multilateral and regional organisations that we support, including an assessment of the agencies' effectiveness and their match to NZODA goal, objectives, and policy statements, along with the priorities of recipient countries.

Non-Government Organisations

Non-government organisations (NGOs) offer an important opportunity to disperse NZODA. They offer development skills, a specific reach to the poor, and, frequently, a special ability to organise and motivate successful and sustainable community self-help efforts. NGOs can often achieve these things in cost-effective and sustainable ways.[35] I. Smillie states[36] that NGOs have 'special skills in primary health care, non-formal education and other forms of social development. They were pioneering new employment-generation techniques, savings, credit. They could be innovative and quick where governments could not. They could demonstrate the value of empowerment and participation in practical terms'.

Like all other funding mechanisms, the NGO option needs to be subject to rigorous assessment as to its effectiveness and its match to NZODA goal, objectives and priorities.

3.6   Uses Best Practice

Fifty years of development assistance, and the more recent direct focus on poverty eradication have revealed a number of core strategies and interventions that have the best chances of success. These are the 'best practices' in foreign aid. They include:

- *The importance of participatory processes in aid design and delivery.* When beneficiaries participate in development assistance, the success rate for projects and programmes improves remarkably. (In a sample of rural water-supply projects, projects with high beneficiary participation had a success rate of 68%, those with a low level of participation had a 12% success rate.[37]).

- *The value of gender awareness.* Not only do women represent the majority of the world's poor and therefore are an essential target group for development aid, it has also been shown that involvement of women in aid design and delivery improves outcomes and success rates.

- *Coherence of aid and non-aid policies.* Development assistance alone is not going to eliminate poverty. It will require policy coherence within the recipient country across a number of sectors, including education, health, immigration, environment, customs, and trade. In addition, both developed and developing countries need to promote international policies that are consistent with the goal of poverty eradication.[38]

As well, within each sector (health, education, micro-credit and so on) there is an emerging wealth of detail on best practice.

A cutting edge ODA programme is informed about best practice and adopts a pragmatic and learning approach to it.

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[34] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

[35] Clark, Kevin, Don Clarke, Garth Nowland-Foreman and Marion Quinn 1998 'Evaluation of the Voluntary Agency Support Scheme: Ma te huruhuru te manu ka rere' MFAT

[36] Reported in Clark, Kevin, Don Clarke, Garth Nowland-Foreman and Marion Quinn 1998 'Evaluation of the Voluntary Agency Support Scheme: Ma te huruhuru te manu ka rere' MFAT

[37] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

[38] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

Two areas of best practice, that have emerged within the last few years, are proving to be so fundamental to quality aid design and delivery that they require closer examination for the purposes of this review: good governance and sector-based approaches.

3.6.1 Good Governance

If the policy environment is not right and government does not work, nothing works. This is an influential finding of the World Bank in a 1998 publication[39] that recommends aid agencies only team up financially with countries that have a sound policy environment and a government committed to reform. In developing countries with sound economic management, financial assistance leads to faster growth, poverty reduction, and gains in social indicators. With sound country management 1% of GDP in assistance translates into a 1% decline in poverty and a similar decline in infant mortality.

Without a sound policy setting, aid finance is generally wasted. However, there is still a valuable role for aid: a 'more modest and patient role of disseminating ideas, transmitting experiences of other countries, training future policymakers and leaders and stimulating capacity for informed policy debate within civil society. These measures are relatively inexpensive.'[40] (They do however involve intensive and skilled staff input from donors.) The goal of this approach is to strengthen institutions and policies so that services can be effectively delivered by the recipient country itself. Once this is achieved, financial aid should be considered.

In countries with poor policy settings there also remains a key role for foreign aid in relieving the distress of the poor in the short term.[41]

The issue is not always quite so clear cut. A 1998 study found that issues of geography, demography and public health were also vitally important for economic growth, more so than simply economic policies and institutions.[42] The World Bank also assumes that there are simple and unequivocal rules for selecting which governments are appropriate partners and which are not.[43]

However, there are clear lessons in the World Bank recommendations that a NZODA programme should factor in to its bilateral relationships. This would be part of the poverty analysis process described above and would feed in to the Country Programme Strategies.

3.6.2 Sector Based Approaches:

Projects are discrete units of practical activity that seek to mitigate the manifestations of poverty (for example, establishing a water supply for an area). For most aid agencies, the project has been the most common form of aid intervention. They can be high profile, easily 'tagged' discrete opportunities for spending ODA. They can also bring real benefits to a number of people living in poverty. However, there are problems created through the project-based approach to development.

- A plethora of projects, even if they are successful does not necessarily lead to poverty reduction. Without examining the overall parameters of the sector, a narrow-sighted project approach can completely fail to address the underlying causes of poverty.

- The project mode can easily lead to enclaves of development in a sea of poverty with few benefits feeding out to surrounding areas.[44]

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[39] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

[40] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

[41] HMSO 2000 'Eliminating World Poverty: Making Globalisation Work for the Poor. White Paper on International Development'.

[42] Fell, Arthur and Michael Laird 1999 'A Comparison of Management Systems for Development Co-operation in OECD/DAC Members' OECD

[43] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

[44] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

- Donors' can work to cocoon 'their' projects from the impacts of bad poor government policies rather than work to change those policies[45]

- Projects have usually been characterised by strong donor domination in both design and management, with resulting problems of sustainability[46].

- For both donor and recipient countries, the proliferation of projects can divert officials' time and effort from more central tasks. They are also labour and resource intensive for donors.

There is a role for projects as demonstrating new ways of achieving development results. Learning from these innovations generates knowledge about what works and what does not in poverty reduction.[47] However to achieve poverty elimination and be sustainable, projects need to be seated in a broader based sectoral approach.

There are several different approaches to sector programming but they have in common a framework of interlocking interventions across a sector including, governance, policies, institutions, delivery mechanisms and so on. This suits the multidimensional nature of poverty. A sector-based approach requires improved cooperation between donors and recipients, governments and civil society, and between donors themselves. They require an aid agency to specialise as well as to focus on building up long term relationships.

Variations on the sector approach include SWAp (Sector Wide Approaches) where donors pool funding for a sector which the recipient government then manages by agreed principles.

The Comprehensive Development Framework is a more holistic approach again. It stresses the importance of a long-term strategy led by the developing country that tackles structural and human aspects of development along with the more traditional macroeconomic analysis of a country. There is a strong focus on partnership between all players (including civil society) and on achieving results.

The shift from project-based aid delivery to more holistic cooperative models is a significant milestone in the development of poverty elimination strategies. Sector-wide approaches are not yet common in the Pacific but there is real potential for them to be advanced for many of New Zealand's bilateral partners. This trend should be reflected in NZODA's strategic approach to poverty elimination.

3.7   Relationship Building

Effective aid depends on building relationships. According to development theorist Alan Fowler, there are several levels of relationship building, the highest being partnership which involves genuine mutuality. An effective and strategic aid agency fosters relationship and partnership building between bilateral recipients, civil society, and other donors.

3.7.1 Bilateral Recipient Governments

Ownership by the recipient government over a poverty elimination strategy is essential for its success. It is the partner government actions that will determine overall success or failure in meeting the needs of the poor.

Ideally, that government should establish its own strategies and then coordinate the actions of donor agencies to help in its implementation. Samoa has taken this path.

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[45] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

[46] DAC Informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

[47] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

Where weak institutional capacities mean that governments are unable to play such a coordinating role, donors should seek to support the development of such institutions. The DAC study on donor poverty reduction policies and practices[48] found common areas that donors could contribute to in this situation were:

• Raising awareness of poverty issues at all policy levels

• Institutional capacity building

• Data gathering and analysis on the poverty situation in particular countries

• Promoting issues of good governance, in particular promoting transparency and accountability in relation to aid funding.

The DAC study found that in the relationship between the agencies and the recipient country authorities, the processes of partnership dialogue and negotiation may well be as important as the specific interventions which agencies fund in trying to achieve benefits for the poor.

Thus the concept of partnership between recipient and donor countries is most functional when the recipient country has the capacity to set the poverty reduction agenda itself and donors collectively select their niches within that. Where it does not have that capacity, donor countries should focus aid effort around it reaching that goal. It the process of dialogue in both scenarios that form the most important basis for partnership.

There is no assumption here that donor and recipient countries will always be motivated by the same goal of poverty elimination, nor driven by the same objectives or concern about human rights. It is valid for both donor and recipient countries to set their goal and objectives prior to engagement with each other - indeed it is important that they do so. Being either donor-driven or recipient-driven is not the basis for an effective relationship. The essence of partnership is to work together on common ground and to work through all avenues of participation to achieve poverty elimination.

One public submission to this review put this point as follows:

> 'Local ownership is crucial...programmes in which there is not full 'ownership' and commitment by the partner state and a concomitant willingness to allocate the required resources, material and human, should not be undertaken. This may mean a reduction in the number of programmes but it should ensure that those undertaken will be sustainable and viable.'

3.7.2 Non-Government Organisations

The NZODA Voluntary Agency Support Scheme offers a strong model for the support of NGOs and their role in ODA delivery. Bilaterally, an effective ODA programme will be open to building relationships with civil society including NGOs in the recipient countries for all components of its work. Such relationship building provides opportunities for donors to better understand the countries in which they work and to access aid design and delivery mechanisms that will complement (and in places replace) government-led initiatives. It also enables civil society to have input into important development decision-making that is taking place in its country.

3.7.3 Donor Coordination

Donor coordination is critical for a number of key reasons:

• At its most practical level it ensures donors' efforts will not double up

• It prevents an intervention from one donor contradicting or undermining an intervention from another donor

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[48] DAC informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

- When it moves beyond just coordination and into collaboration between donors, it reduces the burden on recipient governments of having to deal with different requirements and approaches of individual donor countries

- Used effectively, it can be a very powerful and strategic way of addressing poverty as it pools resources and seeks to unite all parties under a common set of objectives.

In the Pacific donor coordination takes on increased significance because more than 20 bilateral and multilateral development partners maintain programmes in these small states. This presents a major challenge to Pacific partner countries as they seek to coordinate, direct and manage external support.[49]

In the Pacific there is a solid basis of desire for harmonising the aid initiatives between donors but there is a need to move beyond such general discussion and into more substantial measures. These include the articulation of donor programmes within partner country-led poverty reduction strategies, rationalisation of reporting requirements and the development of more flexible work programming.[50]

As articulated by a recent internal DEV memo:

> 'Experience suggests that co-ordination and harmonisation on the part of the donors can go only so far and that really effective developmental impacts come from donor collaboration. This in its turn implies sharing of understanding in respect of aid values, principles and goals, as well as joint work, especially in the case of Small Island Developing States (SIDS) of the Pacific.'

3.8 Evaluation

Every aid agency needs to ask two evaluative questions: why do we do what we do? And what is the impact?[51]

The World Bank's key evaluative question related to their good governance study is: Have agencies used their resources to stimulate institutional and policy changes that have led to improved services and better quality of life?[52] As the Bank states, this is not an easy question to answer, but it is the right one to ask.

If poverty elimination is to be mainstreamed throughout an agency, the impact of its work needs to be measured from the broadest goal to the closest operational detail. Measuring impact (did our work have any lasting effect?) is more difficult than measuring output (how much work did we do?) However, it is important that an agency establish monitoring and evaluation systems that attempt to measure impact. It will help the agency know if it is making the right choices and pursuing effective strategies. It will provide better accountability to external and internal stakeholders. And it is central to providing incentives to staff to make poverty elimination their focus.

A public submission to the review said that the focus should shift from:

> 'reporting on processes and programme delivery to evaluating the quality and relevance of outputs and impacts of projects and programmes.'

The process of review and evaluation produces lessons learned. It is important that these lessons are operationalised within an aid agency through an institutional framework and factored in to new strategies and approaches to poverty elimination.

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[49] World Bank 2000 "Pacific Regional Strategy'

[50] World Bank 2000 "Pacific Regional Strategy'

[51] DAC informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

[52] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

Finally the practice of joint monitoring and evaluation of development programmes by donors and recipient partners is important to build ownership over achievements and failures. To be effective and efficient in this, accurate and timely information about human development conditions is needed. It is important to invest in information generation and management in order better to target, monitor and evaluate development programmes.[53] It is also important for an aid agency to have research capacity in subject matters central to its performance. This can either be built within the agency or sourced from close links to research institutions.

In the Pacific especially, there is a weakness in the statistical base for social and economic data. As a result, both governments and donors are often proceeding on policy decisions on uncertain ground, unable to know where their policies are leading or how effective they have been.

3.9   A Supportive Institution

Development assistance is a profession with its own academia, literature, field expertise, history, and management approach. A high quality aid agency will be staffed with skilled and experienced development professionals who design and manage the aid programme. It will have the right mix of skills to build 'centres of excellence' within the agency, to support the sectors and approaches required by partner country needs. This includes the development skills required to nurture and support the long-term partnership building and trust needed to effect good governance and policy. It will need to draw the appropriate skills and experience into the delivery of ODA through its consultants. This will require a transparent, equitable system for the selection, use and evaluation of consultants.

Development professionals in the agency should be tasked with meeting the overarching poverty elimination goal of the agency. This task should be focused, undistracted by considerations of political or commercial gain for the donor country. Diplomatic incentive systems that have little relationship to poverty reduction objectives should have no part in such an agency.

A successful aid agency will be knowledge-based and a learning institution. Best practice in aid delivery requires a deep understanding of poverty processes and the poor. It requires 'sufficient understanding of the needs, aspirations, motivations, survival strategies, and self-perceptions of the poor'.[54] Best practice also requires the ability to expand institutional knowledge about what works in aid and what does not. Disseminating this information internally to staff and externally to partners, stakeholders and other donors should be seen as core business.[55]

In a successful aid agency staff are given time to learn, to train and to analyse. This is achieved in part by having adequate staffing numbers. The World Bank has found that a shift of resources from project preparation to analytical work in aid agencies would have led to lower commitments but a higher success rate of projects. Fewer projects would have been approved but they would have been better designed and better implemented.[56]

Time should also be made available to develop effective partnerships. This includes time from senior level administrators to lead the development of trust and mutual understanding as well as identify opportunities for pursuing pro-poor approaches.

If poverty elimination is mainstreamed, aid professionals will be rewarded for success in their endeavours through career advancement and the option of field postings. Mainstreaming would also ensure strong senior management commitment to poverty reduction. The 1999 DAC study on donor practices shows that clear top-down messages have an important role in creating a climate of commitment to poverty reduction and making it more likely that appropriate guidance and management systems will be developed and that poverty reduction concerns will be dominant.[57]

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[53] UNDP 1999 'Pacific Human Development Report'

[54] DAC informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

[55] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

[56] World Bank, 1998 "Assessing Aid. What Works, What Doesn't, and Why'. Oxford University Press

[57] DAC informal Network on Poverty Reduction 1999 'DAC Scoping Study of Donor Poverty Reduction Policies and Practices'

The aid agency needs to provide country programme managers and other officials with adequate guidance to understand the goal, objectives, and policy statements of the organisation and its particular focus on poverty eradication. Adequate training should be offered in poverty analysis and poverty reduction strategies, along with other relevant components of the agency's work.

Such an agency has the best potential for achieving excellence in poverty elimination outcomes. It would be well set up to effectively disburse increases in the aid budget that should follow institutional reform, to raise New Zealand's contribution to ODA closer to the 0.7% GNP target. However, the quality of aid is as important at this stage as the quantity.

Several public submissions made related points. One stated that it would support more money going into the administration of aid if it was going into review and evaluation. Other submissions said:

It is 'true that a mere increase in aid spending will not, in itself, improve the effectiveness of aid'.

'The way that overseas development assistance is apportioned and how it is used is as important to the NGO community as the total volume of aid.'

Chapter Four

NZODA Situation Today

4.1 Chapter Overview

In this chapter we examine NZODA goal, policy framework, focus, practice, relationships, evaluation, and institution. We use the vision of excellence for ODA described in Chapter Three as a basis for comparison. It is clear that there is a substantial gulf between best practice in aid design and delivery as that is defined internationally, and what is currently happening in NZODA.

The review team was not asked to review individual projects although we are aware of many examples of individual NZODA activities that contribute to productive development assistance. However, effective and efficient ODA is primarily delivered through the mission, systems and structure of an aid agency and that is what the review was asked to focus on.

4.2 One Clear Goal

'The goal of an aid agency needs to be stripped of all other completing (and often conflicting) foreign affairs and trade missions. The task of addressing poverty is complex enough, dynamic enough and hard enough to evaluate without having the task further confused by multiple missions. The majority of DAC agencies now have poverty reduction as their sole overarching goal.' (Chapter Three)

4.2.1 Introduction

The policy framework for NZODA is documented in 'Investing In A Common Future' (ICF), written in 1996 and revised in 1998.

No clear goal for NZODA is stated in this document.

While ICF identifies humanitarian based development assistance as the principal purpose of NZODA, there appears to be considerable uncertainty amongst many staff, partners and stakeholders about the overall goal and mission of NZODA, as well as a wide and varied range of views on this subject. During discussions, senior staff and management within both MFAT and DEV did not generally identify development principles or poverty reduction/elimination as the principal purpose of ODA. Instead, they tended to describe the role or purpose of ODA in terms of foreign policy, diplomacy, trade and commercial interests. Views expressed of the role of ODA included: to build political capital; a means to achievement of New Zealand's national/self interests; for constituency building purposes; to promote commercial and trade opportunities.

4.2.2 Description of NZODA's Goal by Foreign Affairs Staff

Comments from senior MFAT staff members included:

- 'The purpose of ODA is to round out political relationships.'

- 'Foreign policy is about managing relationships and ODA is a strand in the management process.'

- 'All MFAT activities are to promote and protect New Zealand interests offshore, and to promote New Zealand trade and economic interests.'

- 'ODA has two drivers that are not necessarily compatible - the aid objective of improved standard of living versus the instrument of foreign policy advancing New Zealand interests. ODA is one of the few tools that we have to achieve New Zealand's wider interests'.

Various High Commission staff described the purpose of ODA as advancing New Zealand's strategic interests, securing in-country relationships, giving profile to MFAT, supporting our broader political relationships and helping to reduce poverty. A High Commissioner summed it up by stating that he saw the role of ODA as 'adding value to other relationships'.

While foreign policy, aid and trade were seen by many MFAT staff as intrinsically linked, the potential for conflict between them was readily acknowledged. How this could be resolved was unclear, but the view that foreign policy and trade issues 'should and will win out' over ODA was often expressed. There was a clear perception that foreign policy and trade should be the main driver of ODA. This view appears well entrenched in senior MFAT management and dates back at least several decades. In 1976 the former Deputy Secretary of Foreign affairs Mr Norrish is quoted as having advised his new Minister that 'two schools of thought on aid existed, one a 'bleeding heart' school holding that aid should go where it was needed and its administration should be separated from the Ministry, and the other, to which the Ministry subscribed, 'that aid was an instrument of foreign policy... the aid programme should reflect and advance New Zealand's broad interests in the foreign relations field'.[58]

4.2.3   Description of NZODA's Goal by DEV Management

DEV management also did not tend to describe the principal purpose of ODA in humanitarian or poverty reduction/elimination terms. While recognising New Zealand responsibility to help the less fortunate, one senior manager said, 'the role of ODA is to serve foreign policy purposes', and 'the central issue is self interest. It's not about altruism - if it were, we would be giving everything to Africa which wouldn't do anything for us. It's about New Zealand's interests'. She referred to poverty reduction as 'a fad, and jargonism'. She also stated that she saw no potential conflict between development and trade objectives. Regarding the relationship between trade and ODA, she viewed the use of ODA funds as an appropriate tool for relationship building and to advance New Zealand commercial and trade interests. Other senior managers generally shared these views, with one describing the rationale of ODA as 'underpinning foreign policy, for creating good will and building political capital'.

A post officer responsible for ODA described its purpose as 'influencing the way other countries behave, promotion of trade issues and operations and ensuring the region is stable'. When prompted regarding the desirability of provision of development assistance to those in need, she stated that 'there is probably an aspect of that in there'. Another ODA post officer saw 'defence links and ODA used in the same way to further our bilateral and diplomatic relationship, and hopefully this has good repercussions for our trade relationships as well'.

4.2.4   Description of NZODA's Goal by Desk Officers in DEV

While senior management appear reasonably clear about the role of ODA in relation to other MFAT objectives, uncertainty and concern were expressed at the programme implementation level within DEV. At the Development Programme Manager (DPM) level concerns were widely expressed regarding potential conflicts between development objectives and what are perceived as the core MFAT objectives of foreign policy and trade issues.

One DPM saw a clear conflict between ODA policy and performance and what was described as the 'MFAT focus', 'MFAT's goal is to protect New Zealand interests and to influence the behaviour of other governments, whereas development is about responding to the needs of other governments. ODA objectives tend to be subservient to foreign policy objectives'. She said a Deputy Director had told her that her function as a DPM was to 'look after, protect and promote

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[58] Hoadley, Steve (1991) 'New Zealand's International Aid' in Beyond New Zealand II: Foreign Policy in to the 1990s ed Richard Kennaway and John Henderson

New Zealand interests'. Another described ODA policy as 'totally dominated by political imperatives, with foreign policy and constituency building driving the process. It is very difficult to decide where to draw the line on these competing agendas. Foreign policy should inform decision-making on ODA, not drive it'.

Several staff commented that political and foreign policy agendas tend to be reactive and to have a short-term focus whereas development assistance requires a proactive and long-term focus. This was seen as an inherent contradiction and confusing for aid design and delivery. A recent DEAP Discussion Paper suggested that 'the absence of an overriding, clear strategic objective for NZODA is widely seen as a failing of the current aid policy settings. Over the last four years many international development and financial agencies have chosen to refocus their programmes on a single clear objective related to alleviating or eliminating poverty.'

4.2.5 View of the DAC Review of NZODA, 2000

The recent OECD Development Assistance Committee (DAC) review expressed the view that poverty reduction should be a clear NZODA objective:

> 'Recognising the multi-dimensional character of poverty reduction, particularly in the South Pacific, there may be room for New Zealand to go further in aligning NZODA's guiding principles with the central thrust of the development partnership strategy by clarifying the programme's poverty reduction objective and directing more of New Zealand's ODA towards key activities for poverty reduction. The emerging context of political, public and civil society support in New Zealand is propitious for making poverty reduction a clearer objective.'

The DAC review also recognised the need for clarity in NZODA's mission, stating that 'recent work in the DAC Informal Network on Poverty Reduction indicates that pursuing multiple objectives may compromise an aid agency's poverty reduction goal. This may be occurring with the New Zealand programme', citing that 'while nearly two-thirds of bilateral ODA funded social infrastructure and services in 1998, this was mostly directed to secondary and tertiary education, particularly in New Zealand. Only nine percent of New Zealand's bilateral ODA was directed to basic social services'.

This need for clarity was also frequently raised during the public consultation and submission process.

4.3 Policy Framework

'A policy framework sets the rationale and direction of the aid work, making it clear what the desired outcomes of the programme are. It includes a conceptual framework, objectives, policy statements or principles, and priorities. It also has a strategic plan to guide overall policy implementation.'
(Chapter Three)

4.3.1 NZODA Policy Framework Document

The NZODA policy framework (ICF) presents a broad based mission statement of what NZODA seeks to achieve. The conceptual framework, guiding principles and general statements found in ICF represent an impressive range of productive and appropriate development thinking current at the time the document was written and revised. According to the OECD, DAC peer reviews have noted a clear improvement in the quality of New Zealand's ODA policies during the 1990s. The 2000 DAC review stated that 'improvements in NZODA's policies, analytical capacities and processes continue to provide a good underpinning for New Zealand's development cooperation'.

However, the ICF does not provide clearly defined, measurable and accountable policy guidance about intended ODA outcomes and the ways the organisation intends to achieve these.

While ICF states that 'the principle purpose of NZODA is to achieve lasting improvements in the living conditions of present and future generations of people in developing countries, particularly the poor', ICF does not contain a stated goal, objectives, timeframes, target statements, milestones, benchmarks or indicators. No specific priorities are established for targeting and delivery of ODA, nor a basis for assisting management or DPMs to engage in focused planning and decision making when considering options.

An example of the lack of guidance found in the policy framework is raised in the DAC review, which notes that ICF 'announces that 'increased attention will be given to primary, secondary and non-formal education to increase opportunities for all', without elaborating how this should be done'.

There is no conceptual framework for NZODA that defines the nature of poverty, why it occurs and who it affects. There are no objectives that are specific, clearly defined, measurable, attainable and time-bound.

A senior DEV manager defined NZODA policy as 'a major instrument of foreign policy - that is the policy' and went on to describe the ICF as 'an interesting historical document'. She supported the need for a focused, strategic, measurable and accountable policy framework, yet felt that the ICF did not provide this.

Does the ICF Provide Guidance to Decision-Makers in DEV?

While staff generally felt that ICF provided a positive picture of what NZODA should strive for there was a strong view expressed amongst staff, especially DPMs, that the ICF is of limited value as a policy tool for provision of guidance in decision making, setting priorities and defining what is required to achieve specific, desired outcomes. The ICF was seen as too broad, covering basically all possible aspects of development assistance, and impractical. As one DPM put it, 'ICF is a document that tries to be everything for everyone... which allows you to do anything, yet makes a strategic approach to ODA impossible.'

Broad and generalised policy statements open up opportunities for significant gaps between policy rhetoric and operational reality. This is especially true in the area of aid performance. For example:

- The 'Role of Aid' described in the ICF discusses the importance of trade to economic development, yet does not address the central issue of equitable distribution of the benefits of economic growth, especially in relation to the poor. DPMs could not explain how this is specifically addressed in policy or programming.

- The private sector is seen as the engine of economic growth in development by major multilateral and bilateral donors. While this is reflected in the Private Sector policy statement, this is not necessarily recognised in practice. For example, the policy states that 'Private sector considerations must be taken into account in designing and appraising all ODA activities.' According to the senior DEV management and several DPMs this is not consistently put into practice.

4.3.2 Policy Statements

'Policy statements define the parameters of operation for aid sectors and issues. They should have a goal, measurable objectives, strategies for implementation and a monitoring and evaluation plan.' (Chapter Three)

ICF includes six policy statements written between 1990 and 1998. Of these, only the NZODA policy statement on Gender and Development (1998) provides a relatively current framework

and rationale and contains a goal, objectives, strategy for implementation and a monitoring policy. Not surprisingly, the Gender and Development policy was cited by the DAC and many stakeholders as a benchmark for NZODA policy. According to a submission to the review, NZODA was the first amongst bilateral donors to develop a gender policy. The DAC review recommended that 'the approach used in the NZODA policy on Gender and Development - with clear descriptions of the policy's goal, objectives, implementation strategies, monitoring practices and how NZODA's own capacity should be strengthened - could serve as a model.'

Individual policy statements included in ICF are, outside of Gender and Development, quite dated. It is understood that the education and training policy, which was written in 1993, is currently under review. Given that approximately $60 million of ODA is directed towards education and training activities, most of which is spent in New Zealand on tertiary scholarships, it is timely that a review is in progress. The DAC review supports the need to update and expand this policy statement. However the other policy statements do not appear to be under review. Given that policy provides the basis for decision making on distribution of the aid budget, these policies should be reconsidered in light of current best practice in development.

There are gaps in sectoral policy development in NZODA. For example:

- Despite having regional programmes in health, law and justice that dispense more than $3 million annually there were, according to staff, no policy or strategy documents on these key sectors which can provide staff with guidance or guidelines for targeted and accountable use of these funds.

- Neither the $1.5million regional education programme nor the $1.5million good governance fund has specific policy guidelines or defined criteria to enable informed and accountable decision making.

- Outside of a $0.5million funding window for NGOs (for which applications and reports are assessed by an independent panel), there are no policy guidelines or criteria for distribution of over $5million for EMDR (emergency and disaster relief) which would inform accountable and strategic decision making.

These gaps were recognised in the recent DAC review, which stated that 'in other areas currently without specific policy guidance - health and population, good governance and human rights - policies should be developed taking account of international trends and the views of stakeholders and partners'.

The review team was told that development of a civil society policy statement is underway, and a policy framework for relations between NZODA and NGOs is to be launched soon. According to a DEV manager, this document 'is widely regarded within government and the broader voluntary sector as a ground-breaking document'. The DAC review also singled out this policy statement as providing a valuable lesson for DEV on working with other stakeholders, noting that 'This dynamic change process could be extended to other parts of the NZODA programme'.

The DAC review summed up its views on NZODA policy, stating:

> 'This could be an appropriate moment for New Zealand to prepare a full restatement of its aid policy objectives and framework drawing out the interlinkages and synergies between actions in different areas and sectors of intervention and relating them to New Zealand's fundamental interests in development progress and poverty reduction.'

4.3.3 Priority Setting

'It is necessary to make transparent how staff should set priorities for interventions.' (Chapter Three)

The ICF does not establish NZODA priorities, nor does any other NZODA document that could be identified. A DPM described the ICF as giving no guidance to staff on the issues of priorities,

describing it as too woolly and too broad. Staff could not define ODA priorities other than describing a broad range of development, trade and foreign policy activities. Some senior DEV management felt that established priorities could be counterproductive, as they may constrain NZODA ability to respond to partner requests. A post officer responsible for ODA stated that during her tenure there had been no specific guidance from MFAT on the appropriate balance between potentially competing interests. She was unsure what priorities existed within ODA. The absence of established priorities appears to create some uncertainty regarding positions taken by NZODA in donor discussions, bilateral and partner consultations. The basis for consideration of recommendations for current and future programme and funding directions would also appear unclear.

An example is provided by the Project Selection Process and Criteria for China which state that 'Projects will focus on sectors in which New Zealand has strong capabilities sought by China, and which will not undercut our commercial interests (eg: agriculture, forestry, energy and environmental protection)'. Outside of protecting New Zealand commercial interests, how these sectors are to be further narrowed down is unclear.

A senior Pacific Island government official expressed his concern with the lack of clarity in NZODA policy, stating that 'if a country does not have a clear idea of policy and priorities, then you run a significant risk of poorly targeted assistance'.

4.3.4 Strategic Plan

'It is important for the policy framework to have a strategic plan to guide overall policy implementation, and to have a timeframe and work plan for achieving the goals, objectives, policy statements and priorities defined by the policy framework' (Chapter Three)

There are seven 'key strategies' listed in ICF. These strategies are a series of one-sentence statements on policy and regulatory reform, governance and management, private sector development, civil society, social development, environment and gender equity. Rather than being strategies, however, they are more like statements of principle that identify areas where NZODA provides support. Apart from these brief statements, there is no identifiable, accountable strategy linking ODA projects to policy.

Staff at various levels, including High Commissioners, management, DPM and posts expressed a fairly consistent view that NZODA lacks a clearly defined implementation strategy or plan. While MFAT has a five-year strategic outlook document, this is not specific to ODA. The review team was told by a range of staff that a focused and strategic plan linking policy to practice would be of considerable assistance in their decision making, planning and understanding of future directions of NZODA. A DPM said it was not clear to him what he needs to do under specific circumstances, citing the 'need for a strategic framework linked to policy and decision making'. One Deputy Director stated that it 'would be helpful to get a policy directive to know that what we are doing is responding to some overall strategy'.

Staff could not clearly explain how funding decisions on individual projects link to defined programmes, sectoral policy or overall policy. A High Commissioner agreed, stating he was unsure of how decisions are made on allocations in relation to an overall strategy, 'No one is asking what we want from our aid programme, or where is the strategy. There is no regional or global strategy. There is no clearly defined set of objectives on where ODA should be, just a range of primary focus areas. It's a descriptive, not targeted approach. Our country programme lacks strategic vision from DEV. This is a problem throughout our ODA.'

Another example was given by a DPM who stated that he could not see any linkage between his country programme and ODA policy. He was unsure how the wide range of small projects funded in the programme added up to ODA policy, or how he could measure this. There was no

example he could think of that would inform progress against achievement of policy objectives. 'There is no collective framework that looks at how bilateral pieces of the puzzle collectively fit together to progress ODA towards achievement of objectives'. He then went on to describe the process as 'random'.

Several staff commented that ODA implementation takes more of a reactive, risk management approach than a strategic and pro-active approach to decision making and problem solving. This results in a tendency to focus on symptoms rather than causes.

For example the emergency and disaster relief fund (EMDR) distributes over $5million without the benefit of written policy guidelines or criteria. While EMDR by its nature is responsive, the team was told that strategies for utilisation of funds between relief, rehabilitation, disaster preparedness or mitigation do not exist. As a result it is unclear to many staff whether bilateral programmes, regional programmes or EMDR have responsibility for these specific areas. The majority of these funds are held back in case of cyclones or other Pacific Island disasters. Once the cyclone season is past (April), surplus funds are to be distributed by the end of the financial year (June 30). Last year this amounted to over $4million. However, there was a widely held view that the absence of formal policy guidelines or strategy raises questions about how best to utilise this large pool of funds.

One High Commissioner commented that 'one of the failures of the ODA programme is the absence of any strategic thinking unit' and 'we should be more consistent in what we should be seeking as broader strategic priorities'. A former post aid officer expressed significant frustration with unfocused ODA expenditure. She stated that 'we should be in the business of strategic interventions rather than doing anything helpful that comes along... The fact is that it is easier to go along with the path of least resistance. This is patronising to our partners, lazy and damaging.' Strong concerns regarding the lack of a strategic approach to programmes were also raised during the public consultation process.

One DEV staff member cited the creation of the Good Governance Fund as an example of the reactive nature of programme design in DEV. Good governance is widely viewed as an essential and important ingredient in productive development assistance, and the fund is appreciated by stakeholders. While supporting the fund in principle, she described its establishment process as 'it was initially about throwing money out there. We created a programme, threw the money out the door and are only now looking for a strategy. We should have developed the strategy first, then developed the programme, not the other way around'.

4.3.5 Policy Development

The sections above describe where the NZODA policy framework can be strengthened to reduce staff confusion regarding the multiple missions of NZODA, to provide better guidance in priority setting, and to provide clear objectives and priorities. Additional to these points, there are three issues that suggest that currently policy development could be significantly improved within DEV:

a)   *Inadequate guidance on staff responsibility for development of policy:*

Structurally, there is no specific policy or planning unit tasked with responsibility for ODA policy development. While no specific staff member or group has been given particular responsibility for policy development, staff generally are expected to contribute to the policy process. Many DPMs expressed a strong desire to be engaged in policy development. However, the means and process for this are, according to staff, unclear. Policy development appears to be the domain of the Director and Deputy Directors. However, more than one Deputy Director stated that they did not see policy development as part of their job.

b) *Policy development is ad hoc*

A senior manager stated that 'policy development is a budget driven process, that is not clearly defined'. The process appears reactive, ad hoc and uncoordinated. ODA policy development resembles a risk management approach rather than a proactive approach to problem solving, focusing on symptoms rather than causes.

Staff who have attended international meetings and summits indicated they were unclear regarding what system existed to translate or incorporate decisions made at these meetings into policy within DEV. This is of considerable import, given that at such gatherings New Zealand has signed up to international conventions and targets, committing the ODA programme and ODA staff to specific directions and outcomes. Current ODA policy does not explicitly reflect policies and targets that the government has committed to. While it appears efforts are made to apply outcomes of some of these meetings (for example the Beijing Women's Conference), there does not appear to be a defined and accountable process to recognise, institutionalise or maximise the outcomes of such meetings and summits.

c) *No staff capacity*

According to a senior MFAT officer there is limited DEV staff capacity to invest in policy development. He stated that the 'intellectual grunt' required for informed policy development was absent in DEV. According to staff there is insufficient time to devote to consideration of policy issues on either a strategic or micro level, and limited research capacity to further inform the policy process.

4.4   Focus

'Focus is necessary for an agency to successfully and efficiently deliver aid. There are four key components to the focus of an aid programme: what countries the agency should be working in; what sectors the agency should focus on; what strategic approach is required in the recipient country; and what funding mechanisms should the agency be using (bilateral, NGO, multilateral, regional.)' (Chapter Three)

Chapter Three recommended that NZODA reduce the number of bilateral partners it has from 63 down to around ten, and retain and deepen a focus on the Pacific. With these reduced numbers of partners, NZODA can concentrate its development assistance funds, build better knowledge and expertise, and in the process design and deliver much more effective, better targeted aid.

Chapter Three also recommended that NZODA develop 'centres of excellence' based on partner needs - those fields that NZODA knows it can deliver in and around which it can build appropriate skills and experience in its staff and consulting core.

This section details two issues relevant to focus in NZODA: the role of Country Programme Strategies, and funding mechanisms.

4.4.1 Role of Country Programme Strategy Approaches

Comprehensive country programme strategy documents linked to ODA policy are recognised as essential tools in the provision of targeted and effective development assistance by the DAC and most donors. They provide a foundation for strategic decision making for donors and partners on a country, sectoral and regional basis.

AusAID accords country programme strategies high priority. According to senior management at AusAID, clarity and coherence of overall policy direction needs to drive country programme strategy development. At AusAID, all desks develop country and regional strategies. These are then assessed independently by a committee, which includes an external aid academic to provide

analytical rigor to the process. Senior AusAID management told the review team that the aim of the process is:

> 'to encourage people to think, to pull back and look at what others are doing and what the government is doing, to be creative.'

The Australian Minister of Foreign Affairs and Trade also reviews these documents. Programme strategy documents are considered to have a three-year shelf life, and are subject to a country effectiveness review at the end of the cycle in the third year. The focus is on programme outcomes versus activity measurements. They include sectoral analysis, monitoring and evaluation systems. The same procedure is undertaken for multilateral strategy documents.

For NZODA a senior DEV manager saw the need for programme strategies, but stated that NZODA does not produce them on a systematic basis - 'the system has broken down'. According to staff in Wellington and at posts, there is more of a 'one size fits all' approach to country programmes. One High Commissioner called for the need for DEV to be smarter about country specific programme approaches and the need for sharply focused country strategies. A former post aid officer agreed, stating:

> 'NZODA does not practice what it preaches on the differences between countries - that each bilateral programme looks more or less like the other. I am also convinced that most NZODA people don't understand the difference between many countries.'

Several partners supported the need for NZODA to move towards jointly developed and jointly agreed country based strategy documents as the basis for effective and efficient ODA delivery and donor coordination.

According to the NZODA Programme Profiles 2000-2001, New Zealand provides \$167million in bilateral funding to 63 countries, with the main focus on extensive cooperation programmes with 19 major bilateral partner countries in the South Pacific, South-East Asia and with China and South Africa. Of these 63 countries, there are country programme strategy documents for only four countries - one of which is ten years old. DEV has indicated that they hope to develop four country strategy documents per year over the next two years.

What is unclear is whether these are to be joint strategies developed with government, partners and/or other donors or New Zealand strategy documents that focus on the New Zealand approach to a specific country. It is also unclear whether they will take a sectoral, regional or a project approach, or whether they will be developed in a participatory manner, or in-house. According to staff, the purpose of country programme strategy documents, how they should be developed and how they are to be used is unclear. DPMs expressed the view that the purpose of the document should be defined first and that should then determine the content and focus - not the other way around.

ICF states that 'Bilateral country programmes, as well as support for regional programmes, are guided by framework papers, reviewed annually during discussions with partner governments and agencies. Their aim is to provide coherence and direction to NZODA and a basis for accountability'. DEV management indicated that there are some country framework papers and/or other country documents for use during bilateral discussions.

DEV management indicated that staff are in the process of developing country framework papers for each country. The team was told that these were to be completed by November 2000, and that copies would be provided to the team as part of the review process. However, by March, the team had not received any of the new framework papers. Existing papers were described as brief (a few pages) overviews of what NZODA is doing in each country, and are to be based on the DPMs' understanding of project activity (which can vary considerably). The team was provided with a few examples of existing framework papers, which support this description. These are not considered country programme strategy documents, but are seen as useful in providing an overview of NZODA bilateral funding activities.

Recurrent Cost Finance and Absorptive Capacity

Two issues that should be considered when drawing up a strategic approach to country programming are recurrent cost financing and absorptive capacity.

ICF contains a policy statement on recurrent cost finance in the Pacific (1992). This policy seeks to recognise the range of significant implications that ODA-driven recurrent costs can impose on partners, and the circumstances under which New Zealand will provide recurrent cost support. The policy states that:

> 'Recurrent cost finance requirements to sustain a project after implementation should be estimated and agreed upon between governments and donors and included as an integral part of project documentation. Agreement should be reached on the allocation of recurrent cost finance responsibilities between all parties before project approval and funding.'

Recurrent costs pose a major financial and budgetary challenge for bilateral and other partners. Full consideration of recurrent cost implications is essential to sustainable development assistance and is central to transparent partnership relationships. Unfortunately, despite the policy statement NZODA does not appear to adequately consider recurrent cost implications. DPMs spoken with could not provide analysis or information on recurrent cost implications for their programmes. Recurrent cost analysis did not appear to figure in High Level Consultations or other bilateral discussions, nor in discussions with project partners. Post staff acknowledged the need to recognise NZODA responsibility to build local capacity to deal with recurrent cost analysis, to design projects with benchmarks and indicators that recognise recurrent cost impacts.

Senior government officials from one Pacific Island country acknowledged that recurrent cost issues and impacts are not handled very well, but stated that they are often unaware of donor recurrent cost implications:

> 'These should be recognised by NZODA and the (Pacific Island Country) Government at the outset, and not looked at generally until the end of a project, when it is too late...At HLCs (High Level Consultation) and programme mission discussions we should go through existing projects to specifically identify recurrent costs. This is not addressed properly or fully at present. We need to develop mutually acceptable criteria for assessment of projects vis a vis recurrent cost issues'.

Absorptive capacity is another critical variable in aid design and delivery. There are public perceptions that the Pacific is 'awash with aid money' and that the challenge is aid quality not quantity. Based on discussions with DEV and post staff, it appears that NZODA does not conduct analysis which considers absorptive capacity issues. A High Commissioner acknowledged that while absorptive capacity is a critical issue, it is not factored into High Level Consultations. He felt DEV did not have the capacity to do this analysis. 'This isn't factored into aid talks and decisions, but probably should be'.

4.4.2 Basis for Bilateral and Multilateral/Regional Allocations

Bilateral Allocations

There was a concern amongst staff that the bilateral allocation process was a non-strategic, historical, political, and budget driven process.

Non-Strategic

The basis for total allocations by country is unclear. Why, for example Tonga gets $5.6million, yet Samoa gets $7.7million and Tokelau gets $8.5million was not explained, and appears historically based. DPMs could not shine light on this issue. One DPM described the

rationale as 'some (allocations) are picked out of thin air'. He went on to say that there is no annual analysis of country status, emerging issues, or needs assessment in deciding allocations for his programme. According to staff there is also no systematic analysis of absorptive capacity. A High Commissioner stated that 'very little analysis is done to inform decision making - it's a bit of by guess and by God'.

A senior DEV manager indicated the budget process begins with sections debating the first cut on respective programmes, with some input from Posts. 'Then we apply a DEV overarching perspective and consult with SPA (South Pacific Division). Then a Dutch auction develops where an informal and unstructured debate occurs on what we want to do. Last year's allocation is the starting point and then decisions are made up or down.' She indicated that there was no formal, documented system of analysis, or defined criteria or variables used in this process in relation to issues of analysis of performance of programmes, absorptive capacity, other donor activity or commitments, sectoral analysis, priorities, or specific policy considerations. No specific analytical framework or documented system of analysis is utilised in the allocation process. One High Commissioner described the process of NZODA allocations as 'haphazard and arbitrary'.

Several bilateral partners expressed concern that timing of annual High Level Consultations does not slot in well with decision making on funding allocations. As a result of this, funding decisions were sometimes made by NZODA prior to holding discussions with partners. The Deputy High Commissioner in Niue raised this in a submission to the review stating that 'timing of NZODA bilateral talks needs to link with the Government's annual budget process. From our experience the annual bilateral talks are held once the Niue financial year has begun, which does not allow for forward financial planning by the government.' Several DPMs were aware of this concern in other Pacific Island countries as well.

Concerns regarding the lack of transparency and criteria for bilateral allocations were raised in submissions as well. One submission asked 'how are funding allocations to various countries made? By what criteria? Who decides through what processes?'

Historical

DPMs indicated that for the most part annual bilateral allocations are based on last years budget 'plus or minus' as necessary. A large percentage of on-going commitments drive most allocations.

Political

A senior DEV manager stated that 'we look at the political issue of mileage in funding decisions, but we also discuss poverty issues.' One staff member stated that 'there is a significant blur between development and politically driven decisions.'

An example of potential 'blur' involved the recent allocation of $500,000 of NZODA funds which were earmarked to cover costs involving relocation of the Samoan Department of Lands, Surveys and Environment (DLSE) to enable the building of a new New Zealand High Commission. This funding was described in the Samoan programme papers as 'part of institutional strengthening of the DLSE', and was listed in the programme budget under good governance/public sector strengthening. Thus far, $250,000 has been paid over to the Samoan Government.

Another example often cited was political intervention in decision making on the awarding of scholarships. Several DPMs indicated that decisions have been taken on project funding at senior management levels that appear to be politically or trade based.

One DPM described that she dealt with this situation by asking management for details on how much of her budget would be determined by political imperatives, so that she could know what funds would be left over after the political commitments were made.

Concerns were also expressed by partners regarding a perceived lack of transparency in decision making by NZODA, especially in relation to small projects funding. During roundtable discussions with Pacific Island country agency partners, a call by one for 'very specific criteria to minimise political interference, to maximise equity issues and to keep personalities out of it' drew strong support.

Budget-Driven

Staff often referred to the budget cycle and spending targets as driving the process, with the pressure to spend based on 'use it or lose it'. An internal DEV paper on programme delivery recognised this problem, stating 'it is recommended that DEV develop management procedures and guidelines which minimise the adoption of projects utilising un-expended funds at the end of the financial year which do not receive either adequate screening according to our guiding principles and policy framework, or which short-circuit partner government project approval and prioritising processes.' While this may not be unique to NZODA, it does not provide the basis for informed and timely decision making.

One DPM commented that she thought she 'would be managing a development programme, and not just a budget'. Another stated that 'DEV is obsessed with cash flow - it's a very budget driven process. Staff performance is measured based on spending of funds - it doesn't take into consideration country absorptive capacity, quality of assistance or outcomes.'

One DPM was keenly aware of the budget cycle driven nature of allocations and indicated that he waited until April to advance personal ideas or agendas for funding, as there was a greater chance of success given the pressure to spend. He saw this as a convenient weakness, not a strength. A Post officer felt the partner governments are equally aware of the budget driven nature of decision making, commenting that the partner brought out poor quality projects towards the end of the year for funding requests.

Funding Allocations for Grants

Several funding windows exist within NZODA for provision of grants. Between them, there is a wide range of established funding criteria, decision-making processes and accountability mechanisms. For example, the VASS distributes $9 million, Good Governance distributes $1.3 million, Asia Development Assistance Facility distributes $6 million, Pacific Islands Investment and Development Scheme $1.2 million, and Pacific Initiative for the Environment $2 million.

There is a lack of consistency of decision-making criteria across these various funding windows. On one end of the scale is the VASS, which is the main NGO funding window. The VASS has evolved considerably over the past decade and is now recognised as having a transparent system of clearly defined funding criteria, independent panel assessment of proposals, stringent accountability requirements and is subject to regular monitor and review processes. The VASS is highly regarded by stakeholders and partners.

Then there is the Good Governance fund, which provides grants of up to $50,000 for capacity building activities that contribute to enhanced quality of government and civil society. This scheme has no specific criteria on which to base funding decisions outside of a list of activities that are eligible for funding. The assessment process for grants was described as 'ad hoc'. The review team was told that proposals are reviewed individually by staff and their comments noted, with no panel assessment or collective discussion. According to staff, an informal consensus based on a general sense of acceptability is the basis for funding. There is no clear basis for ensuring transparency or consistency in assessment. There is no established monitoring or review process.

The same appears to be true for The Pacific Regional Social Development Programme. There are no specific funding criteria or guidelines to provide guidance on proposal assessment. There does not appear to be a strategic approach to funding decisions or a defined accountability process. The decision making process was described by one staff member as 'totally disorganised and unstructured'. The budget for this programme is nearly $9 million.

Concerns regarding the perceived lack of consistency of decision-making criteria across the various funding windows were raised in submissions and during public consultations. Stakeholders felt that some windows were quite stringent, whereas others were not, and that development criteria were not consistently applied across all windows, including bilateral desks.

Multilateral Distributions

'NZODA should develop an accountable assessment framework approach to multilateral and regional organisations supported by New Zealand, including an assessment of the agencies' effectiveness and their match to NZODA goal, objectives, and policy statements, along with the priorities of recipient countries.' (Chapter Three)

ICF states that 'Support for multilateral organisations is based on assessed contributions or an assessment of their effective contribution to development efforts'. NZODA contributes $59.12 million to multilateral organisations. This represents over 25% of total NZODA. According to Program Profiles, multilateral funding gives New Zealand a role in international efforts to alleviate poverty through development at the global and regional levels. These multilateral institutions are especially helpful in directing assistance to regions where New Zealand is not represented on the ground, as well as to least-developed countries where New Zealand does not have bilateral ODA relationships. In 2000/01 New Zealand will provide grants to six Commonwealth agencies ($3.9 million), seven South Pacific agencies ($12.1million), five International Finance Institutions ($24 million), 15 United Nations agencies ($15.4 million), and six other multilateral agencies ($3.6 million) for a total of approximately $60 million to 39 different agencies. It is not clear what the basis for these allocations is.

According to a senior manager, multilateral allocation patterns are also historically driven, with the starting point being last year's allocations with increases based on general increases in the ODA budget. She was unsure how it was originally decided to share the 'pie'. According to staff, there is no comparative analysis or assessment to inform specific allocations to or between multilateral organisations, nor capacity to assess the relative benefits of which agency to fund. 'In the best of worlds it would be desirable to do an analysis, but we don't have the resources.' The process for allocation was described as 'ad hoc' by several staff.

The review team was told that there is no formal assessment undertaken of the match of multilateral organisational mandates with NZODA policy or objectives and that no specific assessments of organisational performance, cost effectiveness, outcomes, or effective contribution to development assistance are conducted. The DAC review also noted that 'Little formal evaluation or review is conducted of NZODA's multilateral assistance'. A senior manager stated that it 'would be good to have a strategy for accountability... We haven't reviewed any of these organisations since the dawn of NZODA'.

In essence, it appears that there are no specific criteria or guidelines to inform the distribution of up to $60 million to multilateral agencies. One staff member felt it 'is certainly a political decision making process', while another said 'funding decisions are more about relationships with multilaterals than about ODA. Broad foreign relations and political interests dominate decision-making. Some allocations are made solely for political reasons - development performance does not necessarily have a bearing on allocations'.

Concerns with the perception of a budget driven decision making process and political influence in funding decisions were also raised during the public consultation process. Comments from submissions included:

> 'While we accept the need for some multilateral funding, programmes of the World Bank, IMF and UN should be subjected to a rigorous critique before funding to make sure that they contribute to the goal and objectives of ODA.'

> 'We question the benefit of New Zealand funding for multilateral agencies. Many of these agencies are inefficient in their delivery of programmes. We maintain that New Zealand would be better served by reducing its multilateral funding contribution and putting that funding into NZODA projects where good New Zealand expertise can be used to deliver far more effective outcomes.'

> Another questioned 'the basis on which 25% of NZODA allocations is made. There does not appear to be an explicit basis for the total allocation or distribution to individual agencies. There is no monitoring or evaluation of multilateral funding and considering the level of spending...this is a major deficiency'.

This desire to reduce multilateral funding was raised on several occasions as bilateral funding was seen to provide more accountability.

NZODA provides $575,000 to the World Bank New Zealand Consultant Trust Fund, 'The principal objective of the Trust Fund is to promote the competitiveness and involvement of New Zealand consultants in Bank work by exposing more New Zealand consultants to World Bank and executing agency staff.' While it may be desirable to market New Zealand consultant access to World Bank contracts, the rationale for using aid funds to do so is unclear. An additional $400,000 is provided to a similar fund, the International Finance Corporation Technical Assistance Trust Fund.

As discussed above, if there are no cyclones or Pacific Island disasters, EMDR (emergency and disaster relief) funds that have been held back must be distributed quickly over a one to two month period. In 2000 this amounted to over $4 million. These funds generally go to multilateral agencies engaged in disaster relief. However, the process for distribution of these funds and which agencies get how much is not well defined - and was described as 'a very arbitrary decision making process'. There are no specific guidelines for the disbursement of these funds or accountability requirements for individual grants to these agencies. The review team was told that some grant recipients would not normally have 'qualified' for this funding, but that there is considerable pressure to get the money out the door as quickly as possible with the minimum of administrative hassles. There is no forward contingency planning to address the likelihood of the availability of surplus EMDR funds.

Allocation for Funding of Basic Human Needs

Strong concerns were raised in submissions and during the consultation process regarding lack of NZODA support for basic human needs. This is surprising, given that New Zealand has signed on to conventions and achievement of IDTs that have implied programming commitments. However, according to the DAC review:

> 'Nearly two thirds of New Zealand's bilateral assistance funded social infrastructure and services in 1998 but only 9% was directed to basic social services - 7% to basic education, 2% to water supply and sanitation but no support was notified to the DAC for basic health or population activities. While endorsing the objectives of the 20/20 Initiative first proposed at the World Summit on Social Development in Copenhagen in 1995, New Zealand is not a firm adherent of the initiative...Basic education, basic health, population activities and safe water and sanitation are fundamental areas for poverty reduction and New Zealand's contribution to development will depend crucially on it providing substantial support in these areas.'

4.5   Uses Best Practice

'Fifty years of development assistance and the more recent direct focus on poverty eradication have revealed a number of core strategies and interventions that have the best chances of success. These are the 'best practices' in foreign aid. They include the importance of participatory processes in aid design and delivery, the value of gender awareness, policy coherence, good governance and sector-based approaches.' (Chapter Three)

This section examines two key areas of best practice in ODA: projects vs programme and sectoral approaches; and policy coherency. It also takes NZODA's programme in education and training as a case study, given that it is the single biggest sector of NZODA absorbing $60 million dollars a year.

4.5.1 Project vs Programme and Sectoral Approaches

'Projects can bring real benefits to a number of people living in poverty. But a plethora of projects can completely fail to address underlying causes of poverty. They are also labour and resource intensive for recipient countries and donors. International best practice is moving rapidly away from a project-based approach to sector-based approaches' (Chapter Three)

NZODA has a project based approach to bilateral and regional development assistance. Undoubtedly many projects contribute to productive development assistance and provide tangible benefits for stakeholders involved. But, alone, a project-based approach to development is not a strategic way to address poverty.

The project based approach to NZODA has resulted in a significantly large amount of relatively small, short term, scattered, labour and management intensive projects across a wide range of sectors. It is difficult to identify the exact number of projects funded by NZODA. DEV does not maintain a database on projects nor a list of all projects by country, sector or region. However, the recent DAC review, noting the large number of major bilateral partners and the administratively intensive nature of these country programmes stated that there are 19 major NZODA bilateral partners, involving nearly 300 bilateral projects with an average project size of $300,000.

In noting their concern with such high numbers of projects, the DAC compared NZODA (bilateral ODA of $US 101million with 19 major partners) to two OECD members with small ODA programmes:

•   Ireland, with a net bilateral ODA of $US 122 million has six major bilateral partners, and

•   Portugal concentrates its $US170 million of net bilateral ODA on five countries.

In a submission to the review, a Deputy High Commissioner noted this about one Pacific Island bilateral programme:

> 'In 1999/2000 NZODA agreed to support 22 projects. Seven were already in place and ongoing. Fifteen were new initiatives. Seven were put in place during the year, including two which were squeezed in June 2000. The remaining eight are still outstanding, and have been rolled over into 2000/2001. In 2000/2001 NZODA has agreed to support 28 projects, including the eight above. Eleven are in place and ongoing, and seventeen require substantial input from Wellington....it is important that the level of support NZODA agrees to provide on a year to year basis is realistic and achievable in terms of manpower. NZODA should work to ensure they are not stretched beyond what they are physically prepared to support on the ground both in Wellington and at post. Ability to deliver has important implications for maintaining in-country donor credibility.'

The Deputy went on to say:

> 'at the time of writing, with a quarter of the financial year gone, there are no new programmes underway. The NZODA programme will likely snowball into the second half

of the year, and not all of the projects will be achieved. This means that the funding allocated is not fully spent, or if it is, it is on last minute projects/purchases which are identified in order to fully expend the allocation, but have not necessarily been given due consideration in terms of development process.'

The budget for this country is over $6 million. With the current DPM about to leave the team was told that turnover has resulted in six DPMs working on the desk in the past five years.

The labour intensive nature of project assistance has significant implications for Wellington and field based staff, as well as partners. While the basis for the DAC figures on the total number of projects managed by NZODA is unclear, given that there are 15 bilateral DPMs, this works out to be an average of 20 large projects to be managed per DPM although the actual numbers may be higher. Given the nature of the responsibilities for accountable and effective management and targeting of these funds, this seems to represent a considerably large amount of NZODA projects for each DPM to manage. Frequent concerns expressed by DPMs regarding excessive workloads should be viewed in this context. Concerns were also raised by several Pacific Island bilateral partners regarding the ability of New Zealand to effectively manage so many small projects, and the impact this had on their own government officials and Departments as well. Partners found this approach required excessive staff commitment and considerable paperwork.

The rationale for the project-based approach to NZODA is unclear, but appears historical.

The issue is more than the sheer numbers of projects. Staff were uncertain how to determine an appropriate mix of projects within their programmes, or the specific direction projects should take within sectors. The process was described as random by several staff who indicated there was limited, ad hoc discussion between DPMs regarding project activities within other programmes.

One High Commissioner felt the project basis of NZODA left a lot to be desired. He felt it was difficult to bring projects to an end without posing major questions of sustainability, and that NZODA tended to turn the tap off a bit too early. He would like to see a 'longer term more imaginative approach' to NZODA. Another High Commissioner suggested a move away from 'the range of itsy bitsy projects all over the place'. He said it was 'time to look at ODA differently, to look at it as more than an extension of foreign policy - to consider a sectoral approach'.

Some Pacific Island government officials felt strongly that New Zealand should move towards a programme rather than a project approach to funding, 'from small to big picture stuff' with longer term funding commitments. Partners also shared the desire that New Zealand be more responsive to establishment of sectoral-based priorities. The view that New Zealand should break out of their existing funding pattern was strongly expressed.

The benefit of a sectoral approach was highlighted by the Director General (DG) of Agriculture in Vanuatu. New Zealand has supported what was described as a very good quarantine project focused on upgraded quarantine service systems. However, according to the DG the project did not include a training component to assist with downstreaming the benefits to farmers. The Department of Agriculture has no resources to inform farmers of the new quarantine requirements nor extension capacity to train farmers to meet these new requirements. He therefore felt that the benefits on the export side 'have been largely lost'. The DG felt that the greatest need in the agriculture sector was training in extension, yet no donors had picked this up. There had not been adequate sector wide considerations of need and delivery systems. While he greatly appreciated the support from NZODA and other donors, he went on to express concern that:

> 'there are too many projects being administered by my Department. We are too fragmented and have lost sight of our core activities'.

4.5.2 Policy Coherence

'Both developed and developing countries need to promote international policies that are consistent with the goal of poverty eradication' (Chapter Three)

Policy coherence means ensuring that all government policies that have a bearing on international development assistance (defence, education, immigration, foreign policy, trade and so on) work together in a coherent manner, each informed about, and not conflicted with, the other.

MFAT claims that having DEV within its ministry assists in policy coherence between three of the policy areas listed above - development assistance, foreign affairs and trade. The review examined how this works in practice.

DEV management often refers to the close working relationship that exists between DEV and relevant divisions within MFAT, especially South Pacific Division, and the policy coherence this brings. Delivery of ODA is considered by management to be political in nature, and the relationship with MFAT is seen as strengthening staff understanding of the environment within which ODA operates, and facilitating policy coherence. However, many DPMs felt that the perception of a close working relationship with MFAT was overstated, and that contact was fairly limited.

One DPM felt that 'DEV is out on a limb and isolated from MFAT. DPMs rarely interact with SPA (South Pacific Division)'. Another said she had spent two years in the Political Division and she 'had no idea of what was going on in DEV. There was no real communication. We were totally separate at a functional level'. And another stated that 'DPMs don't talk to the people next door (South Pacific Division) and vice versa due to a lack of understanding of what each can contribute'. A senior MFAT manager stated that he had never talked to his counterpart specialist in DEV nor had they met, despite the fact that they are working on the same issue. He went on to say that 'it is a deficiency that there are no linkages' between his division and DEV.

There was a general view that the relationship was not particularly close at an operational level. A recent DEV paper on training needs stated that there are 'generally perceived shortcomings in communications between DEV sections, and most especially between DEV and other relevant MFAT divisions, particularly where cross-cutting issues and programmes are involved'. According to one of the South Pacific Division managers, there has been very little talk between South Pacific Division and DEV. The team was told that the manager's predecessor had almost no contact with DEV. However, weekly talks involving DEV were to be instituted soon between division managers to increase communications. Contact between DEV and South Pacific Division was described as 'personality driven', resulting in 'not much involvement on a regular basis'.

Potential impacts of ODA programme decisions on trade, commercial and/or political issues can be referred to the appropriate divisions within MFAT for consideration, such as funding for post coup Fiji. However, some staff expressed frustration that this does not appear to work both ways - that trade, commercial and political options under consideration are not referred to DEV for any analysis of potential impacts on ODA delivery. Policy coherence was not viewed necessarily as transparent or contestable, and was considered by some to be a one way street.

Some staff questioned the perceived 'uniqueness' of the linkage between politics, trade and aid that is considered a hallmark by many MFAT staff. While the importance of policy coherence was recognised and supported, the need to cast the coherence net wider was raised. Defence, customs, immigration, education, health, environment, Pacific Island affairs, Maori and other policy issues were viewed as of significant policy importance and should be considered in strategic development assistance along with foreign policy and trade. The DAC review noted that based on procedures set out in the New Zealand Cabinet Office Manual, 'Departments are

advised that MFAT must be consulted on 'all proposals having implications for New Zealand's external relations, trade policy and international legal obligations'. This provision does not make explicit reference requiring consultation in relation to NZODA or development impacts. The extent of policy coherence with ODA issues within this framework is questionable.

4.5.3 Education and Training

Expenditure on scholarships, training awards, in-country and third country education is the single biggest sector of NZODA and has been so for over a decade. According to the DAC review, 'figures vary on the exact size and breakdown of New Zealand's assistance in the sector. One estimate by NZODA is that scholarships account for one third of the NZODA budget while another is that 48% of the bilateral programme in 1998 funded education and training programmes. According to DAC statistics, 45% of bilateral ODA in 1998 was directed to education.' Current estimates place the figure at approximately $60m of bilateral assistance going to education and training, of which nearly 90% funds tertiary education. According to a recent ACEAD study, on a country basis scholarships represent between one third to two thirds of all NZODA bilateral support to Pacific Island countries, averaging about one-half. Of NZODA expenditure on education and training assistance, 82% is provided in New Zealand, 9% is regional, 3% in-country and 6% mixed (short term training scheme assistance, mainly New Zealand based). These figures have been steady for the past five years. As such, it is worth taking a close look at how this assistance reflects the focus and function of NZODA.

How do the Scholarship Programmes Work?

There are a variety of NZODA schemes offering scholarships (partial and full) both in New Zealand and to regional institutions. Bilateral scholarships are awarded through a partner government driven selection process in consultation with NZODA. Human resource needs are identified by the partner. Other non-bilateral schemes offer partial and full scholarships and study awards, with selections conducted by Management Services Contractors, New Zealand universities and institutions, and/or DEV.

Assistance is provided through country and regional programmes, and general scholarship schemes. Bilateral programmes provide Study Awards for full-time tertiary and some secondary study in New Zealand, Training Awards for short-term vocational training in New Zealand, Pacific Regional Awards for full time study at Pacific Island institutions and In-country Training Awards. General Scholarships ($22.5 million) for study in New Zealand are provided outside of bilateral programmes, and include the Aotearoa Scholarships for Pacific Island students, Commonwealth Scholarships for post-graduate studies in New Zealand, Postgraduate Scholarships available to students from most developing countries and Geothermal Institute Scholarships for engineers from developing countries. These awards cover fees, airfares, and allowances for students (and sometimes their families), with the exception of the Aotearoa scheme that only provides fees and a contribution towards living costs.

What are the Objectives of the Schemes?

According to the current (1993) NZODA policy on Education and Training, the broad rationale for assistance for education and training is grounded in foreign policy and in New Zealand's wish to establish cooperative bilateral and regional relationships, and points out that recipients of NZODA education scholarships are leaders in their own countries. The specific rationale is based on the desire to contribute to sustainable economic and social progress and justice through the transfer of knowledge and skills.

The Education and training objectives are:

- 'The provision of education and training to meet defined human resource development needs in developing countries

- The development among people in the recipient country (especially those who are or will be community leaders), familiarity with and a favourable disposition toward New Zealand

- Ensuring NZODA to education and training is cost effective

- The provision of equitable access to educational opportunities (50:50 male/female ratio for funded students and trainees)

- The demonstration of New Zealand's education and technical expertise.'

As can be seen from this list, there are foreign policy/diplomatic, trade/commercial and development objectives behind educational assistance. The decision-making process on which objectives drive scholarship provision is unclear. The DAC review made two key statements on this:

'As well as these foreign policy objectives, the aid programme supplies some universities (in New Zealand) with a steady stream of students to an increasingly 'market orientated' tertiary education system.'

and

'Development objectives and poverty reduction are not pre-eminent in underpinning all of New Zealand's education and training activities.'

The policy statement does not establish priorities, define guidelines or present strategies to guide decision making by staff or by the contractors managing the programmes.

Problems With a Focus on Tertiary New Zealand-Based Scholarships

The Need for and Value of Basic Education

World Bank research has consistently shown that the highest social returns in development assistance come from investment in primary education and basic literacy. Yet, a recent Reality of Aid report puts NZODA funding of basic education at 0.1% of its ODA budget.

There were strong calls during the public submission process for a sharp shift in emphasis from tertiary to basic education assistance. Submissions made the following points:

- 'we strongly suggest that NZODA channel more of its education sector aid dollars to basic, vocational and non-formal education and training'

- 'it is more effective developmentally to target education funds towards primary and lower secondary...'

- 'In education the major emphasis should be on primary education'.

More Focus on Regional and In-Country Training

Public submissions to the review called for a greater emphasis on regional and in-country training and tertiary assistance. A submission from one academic institution made the point in relation to training stating that 'delivering courses in their own home land with their own resources and technology enhances impact and sustainability. Coming to New Zealand and using resources here which are not available in their islands make the programme irrelevant.'

This was reinforced by another academic institution submission that stated that the environmental management course they provide for the Fiji Institute of Technology has curriculum development paid for by NZODA. In Fiji, the course costs $5000 of which the student pays half and the Fiji government pays the other half. The cost of bringing a student to New Zealand for the same course costs $25000. Not only is this considered cost effective, the course can be designed to reflect local conditions and it builds local Fijian capacity (the institution plans to hand over the entire course once the local Institute is able to take it over).

Do Tertiary Scholarships Address the Key Education Need for our Bilateral Partners?

According to the Director of Scholarships in the Vanuatu Department of Education, of 30,000 children in school, only 100 will complete secondary school. The graduating senior secondary class represents 0.3% of primary school intake. This year in Vanuatu NZODA plans to bilaterally spend $1.825 million on regional tertiary scholarships, $225,000 on in-country training scholarships, $350,000 on tertiary scholarships in New Zealand, $200,000 on short term (mid career) training scholarships in New Zealand, and $65,000 for University of the South Pacific summer school in-country, totalling approximately $2.7million. Additional NZODA funded secondary and tertiary scholarship opportunities can be sought through the various other scholarship windows. NZODA will also spend $500,000 on assisting the Vanuatu government to improve the quality of basic education and to improve student learning.

NZODA Attempts to Target Tertiary Scholarships on Human Resource Needs

The lack of human resources in developing countries is a leading development challenge, and building local capacity through education and training is considered central to NZODA programmes. The NZODA scholarship programme aims to address this by providing training scholarships that meet specified development needs. However there is an emerging literature that points to a weak linkage between Human Resource Development planning and scholarship targeting. But that aside, does the targeting approach meet its objectives?

A key difficulty is that the targeting approach relies on accurate national planning, human resource development and labour market analyses linked to a country's social and economic development needs.

DEV relies on partner governments to identify national priorities in targeting appropriate scholarship disciplines and training focus. However, several Pacific Island government officials indicated that they do not have the capacity to conduct the required analysis and that the lists they provide to NZODA are not necessarily based on current in-country requirements. One commented that 'no one is doing ranking of national priorities for scholarship selection', and that selection was made basically on academic ability. Selection of categories in one Pacific Island country was described as 'the cardiac system - in my heart I know we need lawyers'. The regional Asian Development Bank Representative felt that 'HRD strategies are absent in relation to scholarships'.

There does not appear to be any analysis, either in-country or by DEV, on critical mass for desired numbers of qualified graduates to assist with manpower planning. According to one Pacific Island donor, the labour market surveys in Vanuatu show a need for accountants, yet approximately 20 a year are coming out of school and can't find jobs. He questioned the linkage between scholarships and economic development - noting that in his opinion agriculture and tourism were the sectors of greatest need, but that scholarship provision did not appear to meet needs in these sectors.

Commenting on the effectiveness of scholarship selection in a Pacific Island country, a New Zealand High Commission monitoring report stated that 'All of the key officials (the former Secretary for Training, the new Secretary for Training and the Secretary for Education) agreed with us that the NZODA scholarship schemes were in a state of anarchy'.

Scholarships Captured by the Elite and Not the Poor?

A Pacific Island High Commissioner stated that 'scholarships are allocated not on any basis of manpower needs or development needs, - it is based on the needs of those in power'. Several post staff, including High Commissioners felt that the children of the 'elite' are more likely to advance through the local educational system and that they would therefore be strong candidates for merit based scholarships.

There are significant equity issues surrounding the provision of scholarships both in New Zealand and regionally, which are widely recognised within DEV and were consistently raised during the public consultation process. There was a general consensus expressed within DEV and the posts that scholarships tend to go to the 'elite'. The UNDP Pacific Human Development Report (1999) agreed, stating 'various reviews have concluded that tertiary education benefits most the elites who return home and command scarce resources to satisfy their new status, while others find themselves unable to use their training, or migrate'.

The Aotearoa Scheme was established, in part, to broaden access to scholarship assistance beyond the bilateral decision making process to all students. However, as the scheme is only partially funded and students must cover airfares and other significant costs, the ability of most Pacific Island students to meet these costs is quite limited. Scholarship students are not means tested as part of the selection process (for any NZODA scholarships), which raises questions as to whether those who can meet the high costs of partial payment may be in a position to meet full payment. Several staff felt that scholarships went to students whose families could afford to pay for tertiary education in New Zealand. Dual citizens of partner countries and New Zealand are eligible to apply, receive full scholarships, and then if they choose can remain in New Zealand - debt free. Non citizens/residents can either apply to remain in the country or can leave and apply for residency with their newly gained credentials. While this practice is certainly not encouraged, and students are expected to return, according to DEV there is little that can be done to prevent this.

Civil society representatives in one Pacific Island country expressed concern with limited access to bilateral scholarships, which are 'captured' by government and the elites. While access to other NZODA scholarship schemes (partially funded) are merit based and not subject to potential partner government influence, it was felt that if NZODA was serious about strengthening civil society, equitable access to fully funded bilateral scholarships should be extended to the wider community. Private sector representatives echoed this concern, stating that government employees tended to receive scholarships that squeezed out private sector opportunities for advanced training and education. NZODA commitment to private sector development was questioned in this light. However, the review team was informed that NZODA has made efforts to expand access to private sector and civil society, particularly in in-country training opportunities.

One donor to the Pacific felt that scholarships should be ceased totally because of their inequitable distribution, perpetuating elitism in Pacific Island countries.

Driven by Foreign Policy Interests Rather than Development Need?

Senior MFAT and DEV management, including High Commissioners, were fairly clear in their view that the main driver behind scholarship provision is foreign policy interests with the desired outcome constituency building. The ACEAD report on Support for Education and Training came to the same conclusion, stating 'NZODA bilateral expenditures include scholarships for students from a large number of countries. The provision of these scholarships reflects New Zealand's foreign policy interests'.

A senior DEV manager saw great value in scholarship provision, stating that 'there are heaps of politicians I have met that were educated in New Zealand'. DEV staff frequently expressed views reflecting a colleague's that 'the focus has been on constituency building, and New Zealand based scholarships are a compelling force', and that 'the scholarship programme is politically driven'.

Several DPMs commented on the political imperatives of scholarship provision and the 'political pressure that is brought to bear on decision making'. Several DPMs said they tended to view the portion of their budgets allocated to scholarships as 'fixed'.

'We're Responding to Partner Country Requests'

Partner requests for scholarship provision, especially New Zealand based, have been frequently cited as the basis for NZODA's significant expenditure on scholarships. The willingness to be responsive to partner requests is an important consideration in bilateral relationships, but decisions should be based on a range of factors, including analysis of who benefits and how, and linkages to equitable and productive development assistance. The DAC review raised the same concern, stating:

> 'New Zealand officials justify the focus on tertiary scholarships by arguing that it responds to requests from partner countries' officials who rarely seek support for basic education. But this argument equates partnership with satisfying partner requests.'

NZODA selectivity in deciding which government requests were met was raised in the ACEAD report that found:

> 'the principal of partner responsibility gives weight to the requests of partner governments. Requests for overseas education have been heeded but the priority which partner government development plans give to basic education has generally not been reflected in NZODA expenditure.'

The DAC review suggested that 'Establishing more clearly NZODA's priority for basic education and vocational training may change the outcomes of such policy dialogue'.

Need for a Stronger Link to Development

While acknowledging the difficulty in measuring the impacts of education, several donors to the South Pacific felt that the key value of education support in any form is its relationship to achievement of development objectives, and scholarships were not necessarily seen as a sound development investment. According to a DEV manager 'there are no established relevant criteria to assess development relevance' of this programme.

Several staff expressed the view that the linkage of educational assistance to a development agenda needs to be strengthened and a strategy for measuring benefits should be developed. One summed it up, noting 'we don't manage our education support to defined needs' and 'development issues as part of the process is subjective at best'. It was suggested by more than one DPM that they like the scholarship programme because as one said, it is 'an easy way to spend a large amount of funds (within bilateral programmes), so we don't look too closely at it'.

The role of the Geothermal Institute was queried in relation to development needs. The team was told that the Institute was formed by the University of Auckland 22 years ago to provide study opportunities for NZODA funded students. The Institute has no New Zealand students and only a few private students. Up to 25 NZODA scholarships are provided annually at a cost of $1.3 million. Six scholarships for a short course in Reservoir Engineering are also funded. Students from the Philippines, Indonesia, Turkey, Latin America, Kenya and Ethiopia attend. The linkage between these scholarships and productive development assistance is unclear.

Poor Completion Rates and Failure to Return Home

Poor completion rates and failure of students who do finish their studies to return to their home countries is a significant problem (especially in Polynesian countries) and raises major challenges in achievement of desired outcomes. According to the Asian Development Bank Pacific Strategy Paper, 'while bilateral programmes have devoted much investment to overseas education and training, these programmes are plagued by the consequent emigration of trainees, seeking more attractive overseas employment.' One Pacific Island High

Commissioner stated that 'we see brain drain so often that we tend to ignore it as a problem'. Students who do not return may remit funds back home, thus contributing to the immediate welfare of their families. However, there is no guarantee that this occurs and even when it does, this would represent a questionable return on ODA investment.

According to one DPM, nine out of ten students from one Pacific Island country receiving full medical scholarships did not return to that country, at a cost of approximately $3 million. There are currently four more medical students from that country studying in New Zealand. This is despite the fact that current 'policy' states that where courses are offered regionally (for example University of the South Pacific, Fiji School of Medicine), students will not be sent to New Zealand for studies. Several DPMs indicated that they basically 'ignore' that caveat. One professor from a New Zealand university expressed concern over a veterinary medicine student from a Pacific Island country who had completed his studies at a cost of well over $500,000 who refused to return to his country and instead went off to the UK to work. It would be fair to say that these are not isolated cases. During the public consultation process, examples such as these raised considerable equity concerns, especially given the significant financial burden facing New Zealand tertiary students.

A submission to the review stated that 'there is emphasis currently on the importance of NZODA scholarship holders returning home to contribute to the development of their country...There may be merit in looking at a scholarship holder's contribution to development in a regional context, and encouraging higher education in those terms. This would be a further argument in favour of Pacific students receiving their secondary and early tertiary education in the Pacific, as they are more likely to stay and contribute to the development of their country at an appropriate level.'

According to the ACEAD report, 'low completion rates of aid funded trainee and tertiary students are a matter of grave concern in a number of Pacific Island countries.'

What are the Outcomes, Development or Political, From the Scholarships Programme?

What are the outcomes, or value added, from this significant investment of ODA and how are they measured? Unfortunately, it is not possible to answer these critical questions with any level of confidence. NZODA does not routinely conduct tracer or tracking studies that provide details on what happens to students when they complete their studies, how many students return to their countries of origin, how many stay in New Zealand or move on to third countries, how many are employed and if employed in which areas. According to DEV, neither do bilateral partners. There have been only a few tracer studies undertaken over the past ten years. An HRD study was undertaken in Fiji in 1999, which included a limited tracer study. A few other smaller tracer studies were also undertaken in the mid-90s. It is understood that these studies pointed to the need for more extensive and consistent tracer studies if accurate outcomes were to be achieved.

There is no way to gauge how these students contribute, if at all, to defined human resource development needs, other than anecdotally. A submission from a New Zealand University provided several examples of postgraduate alumni who hold senior government positions in their home countries. DPMs could not identify any assessments done on the value of scholarship provision.

There is also no way to measure with any level of confidence how New Zealand might benefit diplomatically, other than through anecdotal evidence. One High Commissioner described the scholarship programme as 'not effective with a high failure rate'. He felt there was 'no evidence that they (scholarships) can make a difference or bring a New Zealand flavour'. The commercial benefit to New Zealand can, however, be measured as the expenditure of

NZODA funds in New Zealand on scholarships and associated costs is easily calculated, and the figure is quite high.

Bilateral partners agree that the link between scholarship provision and increased in-country capacity can be tenuous. On the one hand, all partners consulted indicated that they greatly appreciate scholarship assistance with one senior government official stating they 'will take as many as we can get'. On the other hand they also acknowledge that the linkage to manpower requirements needs to be strengthened.

Conclusion

For a variety of reasons, including the difficulty of linking benefits from scholarship assistance to development, many donors have either ceased providing them (for example DfID) or have significantly narrowed the parameters for scholarship provision (for example AusAID, EU). The 1997 Simons review of AusAID concluded that provision of scholarships in Australia was largely driven by commercial and foreign policy concerns, recommending a significant shift in approach. An aid adviser to a Pacific Island country called for the immediate suspension of NZODA scholarships, pending a full review of educational needs and donor assistance. He suggested that a thorough overhaul was required, including a review of selection processes to maximise scholarship benefits and to reduce political interference and bias. He described the situation as 'really bad now'.

The DAC review raised similar concerns, noting that:

'While New Zealand can consequently usefully provide a carefully determined level of tertiary scholarships in New Zealand for people from the Pacific, the problems with this type of assistance cannot be overlooked. It is expensive and does not always provide good value for money. Selecting the right students and courses to have a development impact in the long run is very difficult...These schemes can reinforce social stratification within developing countries as only the elite may have sufficient education to enable them to be selected for awards.'

4.6 Relationship Building

'Effective aid depends on building relationships. An effective and strategic agency fosters relationship and partnership building between bilateral recipients, civil society and other donors.' (Chapter Three)

This section examines three components of relationship building of NZODA: between NZODA and bilateral recipient countries, between NZODA and civil society, and between NZODA and other donors.

4.6.1 Partnership with Bilateral Recipient Countries

'Ownership by the recipient government over a poverty elimination strategy is essential for its success. Where weak institutional capacities mean that governments are unable to play such a coordinating role, donors should seek to support the development of such institutions.' (Chapter Three)

Overview

NZODA Guiding Principles recognise the role of partners in the development process. 'New Zealand recognises that development will be achieved primarily through the policies and efforts of the governments and peoples of partner countries themselves.' The Guiding Principles also state that NZODA seeks, through participatory processes, to respond to priorities and needs where these are consistent with NZODA principles. However, according to staff, application of these principles can be inconsistent.

Partner Engagement in Design

While some partners and stakeholders spoken with said they were involved in design, many described their involvement in design activities as limited. One partner described his frustration with lack of involvement in project appraisal and design stating 'a NZ model was put into a container and shipped over to us'. He felt this severely compromised the ability to meet beneficiary needs, providing concrete examples on how this limited project outcomes.

One senior Pacific Island government official commented that they 'come with their own agendas and focus. They tend to think of where they are at versus where we are at. They assume local capacity that may or may not exist.' Another senior government official stated that 'NZODA has a tendency to talk but not to listen - they can improve on the listening side'.

Some High Commissioners felt that partnership was not taken seriously, that New Zealand 'talks the talk, but doesn't walk the walk'. This view was raised in a DEV memo, stating it was the view of a bilateral partner that 'NZODA talks partnership at the HLM and annual talks, but when it comes to implementation New Zealand just does it'. This partner view was backed up in the memo with several specific examples, including a lack of NZODA commitment to that partner government's development priorities, particularly in the perceived scramble to find projects to fund at the end of the financial year, often outside the list of government approved activities. 'Development outcomes are viewed cynically by them (Pacific Island country governments) in many of these cases'.

A DEAP monitoring mission stated that, 'There seems to be a definite lack of capacity in the NZODA delivery systems to manage partnership at the level expected by the (Pacific Island) government partner...There is also, however, some suggestion that the way in which we view and pursue partnership is in itself one-sided.'

The need to develop accountable guidelines on partner involvement in the programme cycle was often cited by staff.

A Perceived Lack of Local Capacity

NZODA appraisal and design activities do not appear to actively engage partners, including government, other key stakeholders, civil society or beneficiaries on a routine basis. DPMs often cited partner inability to participate on a meaningful basis in this process as the reason for lack of engagement. Several DPMs and post staff felt that the ability of some partners to participate effectively in project cycle activities (appraisal, design, implementation, monitoring and evaluation) was limited either due to inadequate skills or resourcing. One High Commissioner felt NZODA was 'trapped in the current formula of what governments want, we respond to. We don't even identify the problems. The problem with this approach is that most Pacific Island countries don't know what the problems are, and don't even know how to think through the issues.' The balance between responding to government needs and meeting NZODA principles and guidelines was identified as a major challenge.

NZODA does not seem to have the programming or strategic ability to address this issue, which is fundamental to the effective design of aid. One Pacific Island partner government representative said 'NZODA needs a more sympathetic approach which recognises the realities of our situation'.

Partner Involvement in NZODA Delivery

Feedback from partners and stakeholders regarding their active involvement in NZODA delivery was varied. While they clearly appreciated and valued the assistance provided by NZODA, some partners felt that they could be more actively engaged on an equitable basis in NZODA activities. Several senior bilateral partner government officials and other partners expressed concerns with

what they described as the donor driven nature of partnership with NZODA. Common concerns expressed included:

- a lack of ongoing consultation

- projects do not reflect government priorities but represent donor sectoral interests

- lack of transparency in funding and decision making

- poor communication

- excessive expenditure within New Zealand as opposed to the country concerned (referring to the imbalance between expenditure on consultants and management compared with delivery in the field)

- inadequate capacity building within projects

- narrow focus on short term project approaches (too many small, labour intensive and scattered activities) vs longer term programme approaches

- inadequate use of in-country advisers and local expertise.

In a recent DEV study on Management Services Contracts (MSCs) similar feedback was noted from partner governments regarding the use of MSCs by NZODA. This included failure of DEV to involve partners and stakeholders in MSC selection, a lack of flexibility and responsiveness in terms of plans, poor communication by MSCs with partners, significant delays in decision making from Wellington, delays in receiving MSC reports, lack of feedback on partner reporting, inadequate resourcing of projects, lack of transparency in project funding, and in one particular case, cultural insensitivity. The lack of responsiveness of DEV to issues regarding consultant selection, project design and implementation were also mentioned. (These comments should be considered in light of and balanced against concerns expressed by MSCs regarding partner performance. Poor partner performance, lack of commitment and high local staff turnover were the main concerns raised by MSCs.)

Partner Perception of ODA Performance

During the review, frequent comparisons were made by partners and stakeholders of the performance of NZODA compared to other donors. In general, NZODA is perceived as reliable, friendly and approachable, and responsive to requests for small grants.

Generally, other donors were perceived as: better resourced at project and post levels, having greater in-country knowledge and development experience, having a programme vs project focus, taking a proactive and longer term view of programming, more professional, transparent and systematic in programme design and delivery (examples given were detailed strategy documents, project workplans and design documents, budgets, monitoring systems), and able to make decisions in the field. They were also viewed as more consultative, focused, participatory and effective.

While there can be a tendency for partners to 'play one donor off against the other', it is worth noting that these comments reflect a fairly consistent message from a wide range of partners and stakeholders in several different Pacific Island countries.

An internal DEV document on the outcomes of a recent DEAP monitoring mission (referred to above) recognised these partner concerns, stating:

> 'Once again, comparison was made with the AusAID delivery mechanism, which was characterised as being more robust in developing and maintaining productive project partnerships, more responsive in terms of speed in making decisions... and in providing better communication and liaison with key central government agencies...'

New Zealand was also sometimes perceived as more politically driven which caused concerns with some partners. In relation to the emphasis placed by New Zealand on constituency building, one senior government representative commented that 'Sometimes the special relationship with New Zealand gets in the way of effective development assistance. With other donors, it's just business.' This was echoed in the DEAP memo, which stated:

> 'Whether because of structural, resourcing or other reasons, our approach would clearly seem to be seen as falling short of the partnership considered by the Samoan government as being commensurate with the special relationship under the Treaty of Friendship. Australia, without such a Treaty, would seem to be achieving a more appreciated relationship in the delivery of development assistance. This is a clear call for improvement that seems to require attention to not only structural and procedural aspects of the relationship, but also to a clarification of our own objectives in this. This would in turn require a longer term, more explicit, vision for the relationship than we seem to have.'

NZODA is seen by many partners as responsive and flexible, and this is greatly appreciated. Flexibility was possibly the most frequently mentioned quality partners identified in relation to provision of NZODA.

It appears that NZODA management view the role of ODA through a foreign policy prism focused on advancement of New Zealand's political and commercial interests (despite the lack of clear evidence that ODA spending is actually an effective way to advance New Zealand's interests. The review team was told that this approach influences the allocation of NZODA. Flexibility is perceived as bringing many advantages when viewed through this prism, and is frequently cited by DEV management as reflecting NZODA responsiveness to donor requests.

The 'flexibility approach' may help to build positive bilateral relationships. However, it raises some questions regarding the basis for, motivation behind and impact achieved through the provision of ODA. One MFAT officer who had served in posts felt that:

> 'Flexibility should be banned from all NZODA terminology as it is in many cases an excuse for intellectual laziness and papering over small cracks in government budgets. At worst, we waste resources, perpetuate dependency cycles and patronise partners as inferior to us, even though in many cases the bureaucracies are sufficiently robust so that they are often more impressive than we are.'

One DPM commented that 'bilaterals and multilaterals favour New Zealand because we don't ask the hard questions, we don't stand firm and we don't know what we are doing'. While these may seem to be harsh comments, they go to the core of the basis for decision making in development assistance and why we provide ODA, and have significant influence on the potential impacts and benefits that may result from ODA.

4.6.2 Civil Society

According to ICF, 'New Zealand is committed to greater participation of all people, especially disadvantaged groups, in economic, social and political life. This is achieved through wide consultation with active involvement of men and women, communities and relevant organisations in all development assistance activities.' And 'Past aid experience has demonstrated that unless partner organisations and communities participate fully in development activities and derive benefits from them, the gains are likely to be short-lived.'

The importance of the role of civil society in sustainable development assistance is widely recognised, and was strongly supported in the public consultation process that called for a broadening of the catchment of ideas on partnership. This was acknowledged as desirable by most DPMs, Post staff and High Commissioners, but was viewed as a significant challenge.

However, there did not appear to be any defined strategy to build relationships with civil society and to engage them in the bilateral decision making process. Despite the crucial role of a strong civil society in good governance issues, DEV staff perception was that bilateral donor decision making and funding should go through government, which does not necessarily encourage civil society participation.

A submission to this review stated that:

> 'the first lesson is that civil society needs to assume a higher priority in development planning and practice in the Pacific Islands. Currently NZODA includes civil society amongst the key strategies, but has not developed any management and quality control indicators to measure the contribution of NZODA to the development of civil society and its part in the economic and social development of Pacific Island nations.'

A senior Pacific Island government representative felt there was room for improvement in delivery mechanisms of NZODA and felt that this could be achieved through more effective involvement and engagement of stakeholders, and a more responsive approach to their views and needs. He felt that NZODA relied on government partners more than stakeholder groups, which did not provide sufficient opportunity for local input for building engagement and commitment.

Several partners raised the need for NZODA to get out more to villages in order to gain a better understanding of stakeholders and civil society, village economies and the challenges they face. This view was reinforced by a government officer who felt that, 'greater understanding comes from exposure as well as experience'. These partners also felt that the NZODA reliance on expatriate consultants should be balanced out through the use of more local consultants who have a better understanding of these issues.

Post staff felt that the political relationship with Pacific Island countries could constrain the ability to reach out to those most in need. That 'if you bypass government and go to villages directly it would weaken the bilateral relationship from a diplomatic standpoint.'

Staff appear recognise the value of civil society involvement in ODA. However, there does not appear to be systematic engagement of civil society in NZODA identification, design and delivery. One High Commissioner commented that 'engagement of civil society is not part of the decision making process, although there is some consultation'. Post staff often referred to financial constraints that greatly limited their ability to get out beyond capital cities in order to build relationships with civil society. Also, both DEV staff and posts tended to take a very narrow view of what constitutes civil society, generally referring to NGOs and the private sector.

4.6.3 Donor Coordination

'In the Pacific donor coordination takes on increased significance because more than 20 bilateral and multilateral development partners maintain programmes in these small states. In the Pacific there is a solid basis of desire for harmonising the aid initiatives between donors but there is need to move beyond such general discussion and into more substantial measures.' (Chapter Three)

Donor coordination is recognised as a key ingredient in cost effective, focused sustainable development assistance. Current international trends in ODA towards programme and sector wide approaches, and the World Bank's Comprehensive Development Framework, are based on increased donor coordination efforts and collective definitions of key concepts, such as good governance. Donor coordination is considered a natural extension of clearly defined policy, objectives, and programmes.

The ICF document does not explicitly address donor coordination as an element in NZODA delivery. However, there is an important role to play for NZODA in active support of the donor coordination process.

It is generally accepted that responsibility for donor coordination rests with partner governments. Partners acknowledge this in principle, yet find the reality of donor coordination difficult. One Pacific Island partner felt that donors are willing to share information, but not to a level that is desirable - that 'donors do not want to be coordinated'. Turf sensitivity and desire to attach a national identity to donor project activities was often cited as a constraining factor. One High Commissioner commented that he saw donor coordination as personality driven, and described donor coordination influence on NZODA as providing direction to 'go where others are not working - to give us uniqueness'. NZODA was perceived by one Pacific Island partner as 'wanting to work only in sectors it is interested in' which can inhibit coordination.

Donor perceptions of NZODA involvement in coordination activities varied, yet all donors spoken with agreed with the need for improved coordination and for closer working relationships. Pacific Island donors, in general, viewed NZODA as communicative but not consultative, often participating in roundtable discussions or semi-annual meetings when invited. These meetings were often described as information sharing about what donors are doing, as opposed to meetings that focus on collective strategies and approaches to development assistance and what individual donor activities mean for all donors. One donor pointed out that they circulate programme concepts to stakeholders and other donors to seek input at the concept appraisal stage, but that based on their experience NZODA does not reciprocate, provide copies of reports to other donors or information on planned activities on a regular basis. NZODA was not perceived as taking initiatives to consult with other donors about NZODA plans or strategies on a regular basis.

Based on a range of variables of mutual interest, including geographic and historical relationships, a systematic approach to donor coordination with AusAID would seem to be a natural outcome of a shared focus on the Pacific. According to DEV, there is an annual meeting held with AusAID to discuss policies and practices in ODA delivery. These discussions focus on cooperation at both policy and programme levels. However, the team were told that on-going interaction is limited. Field based relationships between the two agencies appear to be positive with periodic information exchange forming the basis for the relationship. There have been some productive discussions in Pacific Island countries regarding sectoral approaches to programmes - such as AusAID to focus on basic education and New Zealand to focus on secondary. While such approaches are being tried, they do not appear to involve an overall coordination strategy between the two agencies.

There is NZODA recognition of the need to examine closer working relationships with AusAID. A recent study on harmonisation was undertaken as a first step in exploring donor coordination opportunities. Unfortunately, the results of this work were not made available to the review team for consideration in this report.

4.7   Evaluation

'Every aid agency needs to ask two evaluative questions: why do we do what we do? And what is the impact? It is important that an agency establish monitoring and evaluation systems that attempt to measure impact. It will help the agency know if they are making the right choices and pursing effective strategies.' (Chapter Three)

ICF states that 'New Zealand has systems in place for rigorous appraisal, regular monitoring and thorough evaluation of NZODA activities to ensure the aid dollar is spent efficiently and effectively' and refers to 'quality control mechanisms to maintain aid efficiency and effectiveness'. These systems and quality control mechanisms are not defined in ICF or other readily identifiable NZODA documents.

4.7.1 Monitoring Inputs and Outputs, or Evaluating Outcomes?

As stated above, NZODA currently focuses on monitoring inputs and outputs. The review team was told this is characterised by a focus on tracking project expenditure and delivery against budget and workplan, and NZODA appears to do a good job at this. Financial accountability requirements imposed on contractees are considered stringent. However, this is only a small part of aid accountability.

More important is the effectiveness, or impact of NZODA. Often referred to as outcomes, this differs from outputs. A simple example may assist to highlight the difference. For a project that provides training assistance, the output measurement might be 20 staff trained. However, the outcome or impact measurement would relate to how the trainees were able to apply the training assistance provided, or skills gained - for example measuring improved trainee performance, enhanced safety, increased production, higher incomes, etc as a result of the training assistance against pre-defined, desired results of provision of training. Outcome measurement is the means by which the effectiveness or value of ODA assistance can be determined against development objectives - this provides the answer to why we give aid to specific activities, and informs decisions on where and how we should direct ODA in the future. Several DEV staff, including management, did not appear to clearly understand the difference between outputs and outcomes.

Impact assessment also measures how intended beneficiaries - people - benefit from ODA. Samoa, for example, has experienced impressive macro economic growth in recent years. However, how has this growth assisted those in greatest need? It is not enough to point to the economic indicators. A senior Samoan Government official agreed, stating 'we may pride ourselves with our economic growth rates, but this does not necessarily reach villages. The growth rates and distribution benefits are uneven'. Discussions with a range of villagers on the far side of Upolu confirmed this view, many of whom felt they were worse off than they were five years ago. Impact assessment answers critical questions of who benefits from ODA, how they benefit and why. It also provides valuable information on negative impacts of ODA that may occur. It is worth noting that DEV does not have a social impact specialist on staff, who would normally assist NZODA to examine impact assessment.

Despite what is stated in ICF, according to staff at all levels of DEV there is no systematic approach to measuring NZODA outcomes. Nor is guidance provided on how this might be done. A senior DEV manager stated that there is no impact assessment done for ODA projects or programmes, and she noted while there was a need for DEV to move to outcome assessment versus output measurement, there is no organised system to do this at present. One High Commissioner commented that 'attention is not given to impacts or outcomes, but this could provide important lessons'. Another felt that 'we haven't measured ODA impact very well. The post has not been very happy with this.' Several post staff agreed, indicating that they felt there was no systematic approach to identifying impacts. One referred to this as a 'gap in the system', agreeing for the need to follow up to see what benefits or value comes from projects. A post submission to the review stated that:

> 'we feel it is important to institute increased mechanisms for tracking accountability of NZODA funding. What are our criteria for success or failure? How many projects have succeeded or failed and why? What has been the cost? What monitoring mechanisms are in place, and at what stage does NZODA withdraw its support if a project is not meeting pre-determined objectives?'

The DAC review stated that:

> 'New Zealand should devote adequate resources to ex post evaluations and full impact assessments to complement its other actions to improve programme quality. Being able to demonstrate the impact of its aid is particularly important for a donor like New Zealand which devotes a large share of its ODA to activities which enhance the pre-conditions and enabling environment for development, with outputs occurring further downstream.'

Several partners, while recognising the challenge of the task, felt NZODA did not assess impact or value of ODA. One partner felt NZODA 'handled M&E poorly...there is no impact assessment or impact considerations'. He called for increased resourcing and commitment to impact assessment. Another expressed concern with NZODA's 'lack of monitoring, with their input/output focus with no real follow-up'. Impact assessment was recognised as difficult, time consuming and expensive by many partners, but despite this, necessary. A senior Pacific Island government official commented that 'a rigorous review process has been absent from NZODA assistance'. She felt that the review mechanisms and processes can and should be improved, requiring closer and more specific discussion and agreement with NZODA. She also acknowledged her government's responsibility to actively support and participate in this process.

4.7.2 The Strategic Basis for Evaluation

Effective evaluation is enhanced when undertaken within clearly defined policies, objectives and country programme strategies. This is a significant challenge for DEV due to a lack of policy and programme strategy documentation.

Monitoring and Evaluation Against Policy Objectives

Outside of the Gender and Development policy statement NZODA lacks defined, measurable policy objectives. The DAC raised this concern, stating that 'With the exception of achieving gender balance within the programme, processes of objective setting and reporting have not been adopted to a great degree within the NZODA programme.' This makes measurement of achievement against NZODA policy extremely difficult and raises significant questions regarding the overall value and direction of NZODA. A senior manager stated that she doesn't feel that DEV measures ODA achievement against policy objectives. She felt there was no established mechanism to measure this - 'this is done only sporadically at country level'. When asked how we know if ODA is responding well, she said, 'we don't know'. While recognising that this is necessary, she was 'unsure how you would do it'. Another senior manager felt this was 'a missing link' in how strategy and policy are made in DEV.

There are no defined benchmarks, indicators, milestones or timeframes in NZODA policy documents that might assist in this process. NZODA has signed on to a range of conventions and targets (IDTs) that have measurable outcomes within defined timeframes. However, there is no defined linkage to these IDTs within NZODA policy or practice.

Several DPMs felt that there is no systematic measurement of ODA policy, and that this was only implied. It was also very difficult to determine the real extent of mainstreaming of cross cutting issues such as gender and development, and environment. How this would be accurately measured in NZODA is unclear.

Monitoring and Evaluation Against Country Programme Strategies

As discussed above, there are virtually no NZODA country programme strategy documents. Without such documents it is quite difficult to measure the effectiveness of NZODA assistance to a particular country, or collectively to a region. How do a series of individual projects contribute to development assistance in a particular country is a very important question for NZODA to be addressing. Unfortunately, it appears that NZODA does not endeavour to answer these questions on a programmatic, sectoral or national level.

According to one DPM with long service in DEV and several years experience on one desk, there has been no country review for his programme during his tenure, and to his knowledge there never has been one. There had been 'not much monitoring or evaluation over the past two to three years' either in his country.

Review of Multilaterals

There does not appear to be any requirement that multilateral or regional bodies funded by NZODA engage in impact assessment. Therefore the ability of NZODA to determine the effectiveness of ODA delivery by these agencies, or the value of investment by New Zealand into these agencies, is questionable. A senior official of one agency which receives around $4 million annually from NZODA for funding of projects stated that they do not systematically appraise projects, assess local capacity to participate in projects, have a formal monitoring and evaluation system, nor do they conduct impact assessments. While they do conduct some evaluations, he acknowledged this situation needs improvement. When queried about NZODA accountability systems for multilaterals or regionals for efficiency and effectiveness, one senior manager stated that 'we don't have a strategy for accountability', and that specific criteria or systems were not in place.

NZODA support for policies of other donors (bilateral or multilateral) influences the ODA programme. How NZODA, and others, measure the impacts of these policies is not clear. For example, NZODA supports the Asian Development Bank's (ADB) Comprehensive Reform Programme (CRP) in Vanuatu. According to the ADB, CRP was introduced to tackle severe deficiencies in Vanuatu's public sector and faltering economy. The ADB representative in Vanuatu told the team that the ADB did not develop a framework to monitor and assess the impacts of this programme on the population. They are now supporting development of a statistical database, but this is being developed too late to serve as a baseline for CRP. A Value Added Tax was introduced as part of the CRP, and the ADB acknowledges this is hitting those on lowest incomes the hardest.

According to several Vanuatu MPs, the cost of living in Vanuatu has increased dramatically since CRP in rural areas without a corresponding increase in income. At the same time the provision of social services in rural areas has significantly declined. According to the Department of Strategic Management, there have been significant complaints from the outer islands that CRP has not brought benefits, but hardship and a lower standard of living.

While CRP may be in the long-term interests of the people of Vanuatu, the basis for measuring this is unclear as is how donors can contribute to an equitable distribution of benefits. In the meantime, social safety nets do not appear to form part of CRP.

Learning From VASS

It is encouraging to note that NZODA has recently taken steps to examine impact of NGO funded projects under the VASS. A pilot approach will involve an India based NGO with expertise in impact assessment, in partnership with New Zealand NGOs and their partners in India and Bangladesh. However the ability to apply lessons learned from this exercise across NZODA is unclear. This is further discussed in section 4.8.6.

4.7.3 Responsibility for Monitoring and Evaluation

DEAP is responsible for management of overall review and evaluation activities for NZODA, except for project review which is managed by DPMs. DEAP has responsibility for project evaluations, sectoral reviews, thematic studies and country strategy studies. However mid-project review is the most common DEAP monitoring and evaluation activity. Mid project reviews can provide valuable input for project 'course-correcting', assisting with project fine tuning and design modification for ongoing project based activities. However, their value beyond an individual project is fairly limited. With a staff of seven specialists, DEAP's ability to carry out other monitoring and evaluation activities is limited by time and resources and the demands of programme support required by DPMs.

However, there is confusion over DEAP's role. Some staff look to DEAP to meet NZODA monitoring, evaluation and impact requirements. Others feel this is the desk's responsibility and that DEAP should simply provide advice and guidance. 'DPM's are at the country coal face and have a better sense of the realistic nature of projects than DEAP'. It appears that DEAP staff are required to devote considerable time to programme support - to assisting DPMs with development of TOR, with queries on aspects of project cycle activities and with review of reports. This does not appear to leave sufficient time to focus on monitoring and evaluation activities, which DEAP staff see as a key part of their role. Some staff and stakeholders questioned whether DEAP could be effective in this environment.

Lack of Time is an Issue

The common DPM refrain was that workloads were so demanding that there was little to no time to focus on monitoring and evaluation, or outcomes. More than one DPM stated that they did not even have enough time to read the reports that consultants and MSCs submit, which severely undermines accountability. One stated that:

> 'I have no time to read reports by consultants, I just file them...I have no time to do my job properly'.

Post staff also felt there was limited capacity to participate in monitoring and evaluation, stating that there was insufficient time or resources to engage in these activities.

Another DPM stated that she had never seen any of her funded programmes and had no idea what they do. She felt that there was 'no accountability in the system'. She had no time to visit to actually learn what her programme was about. She said she had:

> 'no idea if what we do is effective, neutral or even destructive. The lack of understanding of what we are doing is unacceptable'.

Her annual budget is over $5million.

4.7.4 How are Lessons Fed Back into System?

The review team understands that NZODA has supported some very high quality project and programme based work. Maximising the benefits of the outcomes of these activities is central to quality in aid delivery.

ICF states that 'Evaluation provides lessons from experience which contribute to the formulation of new policy.' It is also desirable that lessons learned from monitoring and evaluation inform future decision making in relation to programme and funding decisions. Lessons learned from NZODA experience can provide the most valuable and appropriate basis for future ODA delivery. How this process occurs is not defined in the ICF, or in other DEV documents provided to the review team. As discussed above, the policy development process in DEV is unclear. So, how does this work in practice in DEV?

The review team was told that the system for follow up on major monitoring and evaluation activities, reviews and reports is for the responsible DPM to write a short paper on key findings of a review or study. This includes recommendations on what to accept or not to accept (the basis for this is not defined). The paper then goes to an evaluation committee, which consists of the Director and Deputy Directors. This committee considers the recommendations and decides on what to accept. The recommendations are generally specific to a project (one off cases) and do not necessarily relate to institutional issues or changes. The review team was told that there is no defined process to disseminate findings that may have potential institution wide benefits.

Some DPMs indicated that they were unsure why some recommendations are acted on whereas others are not, leading them to wonder if the review or study was taken seriously. It is worth noting that members of the evaluation committee do not necessarily have expertise or experience

in monitoring or evaluation and that there are no additional, external (non-DEV) members on this committee who might bring technical expertise or an independent view.

Beyond this process there appears to be little structure to feed lessons back into the system.

A senior manager stated that 'there is no analytical process for M&E to inform planning or funding decisions'. Institutionally NZODA does not look at programme or project outcomes for lessons to inform decision-making. She felt this was needed. One DPM defined it by stating that 'there is not a learning environment that bases decisions on lessons learned.'

Periodically, there are in-house seminars that look at particular issues of relevance to ODA. These seminars can provide valuable opportunities for dissemination of lessons. However, the review team was told that they are sporadic, attendance is not mandatory and staff are sometimes not aware that they are being held. The process was generally considered to be ad hoc.

According to senior management, there are no defined transmission mechanisms that recognise the consequences of NZODA assistance (through monitoring and evaluation activities) that flow through to decision making. This:

> 'results in M&E in a vacuum. We do not consider ODA as an investment - where to invest, where we can add value and why is not part of the culture. We do not ask the fundamental question of where we can make a difference from a strategic standpoint.'

A DPM stated that 'its not just about dissemination - its about learning and institutionalising lessons.' This does not appear to happen systematically in DEV. More than one DPM questioned the value in conducting monitoring and evaluation reviews when they do not inform decision making - when there is no system for learning lessons. Many post staff shared this view, and felt that there needed to be a more systematic approach to sharing of local lessons learned with DPMs. They felt that this was not encouraged, as DPMs tended to take a reactive and operational approach to their relationships with posts.

According to staff there is no specific policy or strategy that drives a defined evaluation process. DEV TOR call for impact monitoring and evaluation systems to be in place, but according to one DEAP specialist the 'practice tends to be inadequate, shallow or inappropriate'. Institutionalising lessons, sharing information with stakeholders and timeliness of review were considered the main areas for improvement.

4.8   A Supportive Institution

'New Zealand has the opportunity to draw on the best international findings in foreign aid and its own experiences, to create an innovative aid programme that has a clear strategic direction, and is cutting-edge, impact-focused, responsive to the countries that we assist and a learning organisation. Staffed with aid professionals it could be deeply knowledgeable about both the dimensions of poverty and the development parameters of our partner countries. Despite the comparatively small size of our aid programme New Zealand has the potential to have international impact as a leader in development thinking and practice.'(Chapter Three)

4.8.1 The Rotational Staffing System

DEV staff comprise two categories:

*   Rotational Ministry diplomatic/policy and corporate services officers (ie they rotate throughout MFAT during the course of their careers).

*   Specialist staff contracted to manage particular programmes or to provide specialist advice within DEV.

According to MFAT, this mix of staffing has developed in an effort to maximise DEV's ability to respond quickly to new demands and priorities in development cooperation and to reinforce the links between NZODA and New Zealand's wider foreign policy goals.

The MFAT Personnel Department manages DEV staff placement. DEV does not have its own personnel system. Approximately two thirds of Wellington based DEV staff are rotational and all MFAT field based staff involved with NZODA are rotational (with, it is understood, one current exception). All seven DEV management positions (Director and Deputy Directors) are held by MFAT rotational Foreign Service staff.

There was a strong view expressed by many staff, partners and stakeholders that the rotational system limits learning, diminishes institutional memory, undermines career development, and results in an inadequate understanding of development issues, which is reflected in management practices. These points are developed below.

Frequency of Rotations

Rotational staff placements in DEV are intended to be for two years. However, this would appear to be the exception and not the rule. While some staff do complete their full terms, many staff are rotated within a year, while others shortly afterwards. General turnover due to resignations increases these impacts. For example, according to one DPM, there were five DPMs on her desk within four years. A New Zealand company said they had to deal with five different officers within a two year period on one desk. The review team were told that staff turnover (a mix of rotations, resignations and leave without pay) in DEV was 31% in the calendar year 2000, and that to March 2001 there had been a further 25% turnover. This impacts on DPM and management positions most (DEV sections DP1 to DP4) as they have the greater percentages of rotational staffing in DEV. Staff felt that it generally took at least a year to come up to speed, and by the time you have become trained on the job you can't use what you have learned productively because your time is up. A recent case frequently cited by staff and stakeholders was the appointment of the Director, which was to be for a three-year period. However, her next rotation was announced within a year of her appointment.

There has been some discussion within MFAT in recent times of the need to extend rotations, possibly up to three or four years, in an effort to reduce the impacts of the system. However, many staff indicated similar moves have been made in the past to extend rotations, but have not succeeded. The team was told by senior management that the frequency of rotation in Wellington 'is based on maximising foreign policy exposure to take to postings, on training foreign policy officers.' Given this, so long as DEV's personnel requirements are met through MFAT personnel processes, the ability to meet the particular personnel needs of NZODA is uncertain. Strong concerns were also raised that extended rotations would not address the inherent problem of staff placements that do not match skill requirements. Personnel acknowledged that 'there is a possible tension with ODA objectives' that results from the rotational system.

Lack of Systematic Handovers Between Rotations

DEV staff felt the rotational system made work difficult for staff who are either new recruits or are rotated into new positions. The majority of staff complained about the lack of systematic, acceptable handovers. Staff often took up their positions in Wellington and at Posts after their predecessors had moved on, with no staffing overlap to facilitate handover, and no briefing on their programmes. In many cases desks were vacant for months. Provision of desk files (containing details on programme history and status, workplan, tasks, budgets, etc) is very rare. The DEV training paper noted that 'Guidelines and desk files are insufficient and also not standardised where they even exist.' The review team was told that there are no standardised

filing systems that are specific to desks, programmes or sectors. In describing handover, one DPM said:

> 'I inherited a major mess on the desk - mispayments, underpayments, no desk file, no filing system to track projects, no list of projects funded, documents were lost, there were basically no systems or records. It took months to find the files. When I raised my concerns, I was told to just make decisions and get on with it. It took me a year to work out what was going on.'

Another DPM said 'there was no handover, no desk file, no financial file or records. It took two to three months to discover where the projects were'. Another indicated that he was not provided with a job description, a briefing by either his predecessor or the Deputy Director and:

> 'no direction was provided by management other than to get busy. You just hit the ground running. By the time you are up to speed, you rotate. This does not maximise quality or performance.'

The review team was told that vacant desks often pose additional problems for existing DPMs, as someone has to take responsibility for ongoing management. This can require a DPM responsible for a different country to make funding recommendations or decisions without knowledge of past or current project activities or performance, limited background or knowledge of partners, consultants, MSCs, local context and so on, while at the same time maintaining their own significant workloads. Several post staff also expressed strong concerns regarding limited handovers, poor pre-posting training in relation to ODA responsibilities (often consisting of talking with the relevant DPM) and the negative impacts of vacant desks on their work. Reference was also made to the difficulty of effectively addressing ODA issues when both the DPM and Post staff person are new to their respective jobs, which can often happen.

Impact of Rotational System on Relationship Building

Several agency partners expressed frustration with the impacts of rotations, vacant desks and the perceived lack of a systems approach to programme administration. One felt DEV

> 'loses heaps of materials. The DPM can never find anything. She told me the complete three year history (of the partner project) is missing. We put enormous work into our reports, yet at times I wonder if anyone is reading these. They don't acknowledge receipt of reports or provide any feedback.'

Another partner staff member with 11 years tenure working in the ODA in the Pacific expressed concerns with the NZODA rotational system, referring to the 'rapid turnover of staff' and problems accessing information as a result. He said he felt his agency 'has a better corporate memory for New Zealand assistance than DEV staff do. Mundane things like access to information have a significant impact on the programme and the relationship. Standards are also an issue.' He added that he felt DPMs 'lack understanding of Pacific issues'. There was common reference to time lags caused by staff turnover and desk vacancies.

Frequent staff changes due to rotations and turnover caused significant slippage problems for stakeholders, who experienced significant delays in decisions and felt they constantly had to build and rebuild new relationships and reinvent the wheel. One staff member said:

> 'Different philosophies, management approaches, levels of understanding and commitment come with different DPMs in the same desk, yet these staff are not chosen for these views. They come with them as baggage, versus a rationale placement.'

The review team was told that turnover has considerable time and resource implications for firms and is expensive for them. When post staff change near the time of the relevant DPM changing, 'this can be devastating'. Some stakeholders felt that poor staff continuity led some DPMs to become vulnerable and dependent on MSCs and consultants who have more corporate memory,

development and in-country experience than they do. Stakeholders felt that consultants have to measure up, and so should DEV and post staff.

Concern about these issues goes back several years within the Ministry itself. According to a 1996 internal DEV memo written by senior management on the Scholarship Management Unit:

> 'This unit has suffered more disruption than any other in DEV due to the high number of staff moves over the past three years. This has had a significant detrimental effect on our relationship building with educational institutions and our ability to maintain effective management and control systems in an area involving responsibility for tens of millions of dollars'.

Basis for Allocating Positions Under the Rotational System

The basis for determining which positions in DEV are allocated to non-rotational specialist contract positions is unclear. Personnel indicated that specialist placements are based on a 'strong business case' being put forward, and that there are no written criteria to define the process. One senior MFAT executive stated that DEV seeks to get the best possible match for each position, while recognising the constraints of the rotational system, stating 'we spread the expertise and lack of it within areas'.

Many DEV staff felt specialist placements were not transparent, and this caused some friction. It was also felt that there was no strategy, clear rationale or criteria behind contracting of some DPMs, while others were rotational. The DEV training paper stated that 'Financial expediency is generally suggested rather than any more developmentally focused strategy'. One DPM felt Personnel had a 'fuzzy idea of who may be suitable for jobs in DEV'. She felt the balance between generalists and specialists needed to be revisited. In reference to rotational constraints, one senior manager stated that 'if we fill slots with contract staff, this limits our options to rotate MFAT staff, which limits our ability to provide training to staff in management.' She added that staffing decisions are not considered from an expertise position. A DEV Deputy Director told the team that there is a reluctance to fill any management positions with non-rotational staff as there are too few positions within MFAT that provide high level training opportunities to build the managerial skills of rotational diplomatic staff.

There can also be increased financial costs to the ODA programme that go with the rotational system. Salaries move with a person, and are not specifically linked to a position. Salaries are not necessarily based on positions to be filled that are linked to specific skills or experience required.

4.8.2 Development Skills

'Development assistance is a profession with its own academia, literature, field expertise, history, and management approach. A high quality aid agency will be staffed with skilled and experienced development professionals who design and manage the aid programme. It will have the right mix of skills to build 'centres of excellence' within the agency, to support the sectors and approaches required by partner country needs.' (Chapter Three)

The review team was told by a senior manager that there is an assumption in MFAT that all senior people have all the skills they need to function effectively in whatever role they are placed. Senior MFAT management appear to equate development expertise with rotational service in DEV or a posting in a developing country, regardless of the length of service or how long ago this occurred. While such rotations may bring exposure and an opportunity to learn on the job, they do not necessarily translate into development expertise or an understanding of current best practice.

A range of DEV staff and stakeholders expressed concern that the Director was not required to have strong knowledge of or experience in ODA, and that the role could be potentially weakened

by a lack of comprehensive understanding of development policy and key development issues. The ability to make policy settings was seen to require development perspective. The job was perceived as 'more than just a management position'.

The Director and Deputy Directors are appointed by Senior Management Group. Given the lack of transparency in these appointments, it is difficult to define selection criteria, including any requirement for specified levels of prior experience and expertise in management of ODA programmes. While Deputy Directors undoubtedly bring a breadth of experience and skills to their positions from previous rotations within MFAT, the review team was told that generally Deputy Directors do not have development specific educational qualifications or extensive training related to ODA. Several stated that they had no prior experience working in development other than a previous posting many years ago to a developing country or a rotational stint in DEV.

A senior manager told the team that 'development work is learned on the job, like other skills'. The DEV paper on training needs stated that 'it was felt that Deputy Directors didn't always have a background in staff management, and that sometimes there was no real attempt to assist them in this area.' The paper also noted that 'Deputy Directors' understanding of, and adherence to, DEV policy and guidelines has been variable - possibly for the same reasons as above (inability to attend orientation, need to hit the ground running, lack of clear/useful guidelines).'

Under the rotational system, skills based job placement is not guaranteed. The review team was told that meeting specialist expertise requirements of positions is not the driving force in DEV placements. A former MFAT staffer supported this view, stating that 'specialisation is an anathema to the Ministry'. Staff commented that rotational staff who join MFAT to pursue interests in foreign policy or trade bring that perspective to DEV, which does not necessarily meet ODA objectives. Personnel decisions were perceived by many staff as personality driven rather than strategically driven. The system is seen as meeting diplomatic needs rather than necessarily addressing NZODA needs.

Of the rotational DEV and post staff interviewed, virtually none had development training, sectoral expertise, experience, or skills prior to joining MFAT. Many had never visited their country or region of responsibility before. Most had no existing experience with or understanding of local culture or custom, political and economic conditions, local needs, working conditions, participatory methodologies, or cross cutting issues such as Gender and Development and environment. These problems that can accompany the rotational system appear to have been recognised within DEV for many years. An internal memo on impacts of rotations on DEV staffing written in 1997 stated:

> 'the upshot is that divisions (and posts) are having increasingly to carry gaps or to take on people who are less than ideally suited by experience or skills to the position to be filled...it denies us scope to put appropriately qualified people in charge of expending significant amounts of money and to reduce the rapid turnover of staff...'.

A Deputy Director also wrote at the time on the same topic, stating:

> 'in my view, we desperately need some greater stability and development/programme management expertise across the whole Division...They (Personnel) do not seem to realise the serious risk to the Ministry of an under performing ODA programme which is expected to effectively and efficiently spend $200 million a year.'

Similar conclusions were reached a decade ago by the Foreign Affairs and Defence Committee's 'Inquiry into Official Development Assistance' (1990)

> 'Submissions received by the committee reflected concerns that the staff management policies of the Ministry of External Relations and Trade (now MFAT), in particular staff rotation, seriously inhibit the effective operation of the ODA programme. The

professionalism and abilities of many of the DAD (now DEV) staff was commended by submissions. However, it was perceived such attributes are not being maximised by the organisational structure and policies. Criticism was levelled at the rotation into DAD of trainee career diplomatic staff who lacked specialist knowledge and motivation in the aid and development area. NGO staff and private sector consultants who have worked extensively with aid recipients related the practical problems they have experienced due to the lack of long term country and project specialisation that the rotation policies cause.'

The DAC review noted 'Staff rotation based on diplomatic posting schedules presents a challenge to the emergence of a core group of staff with in-depth development expertise in NZODA, as it does in other DAC countries who run their operational development programmes from foreign ministries rather than from a separate organisation.'

One DPM indicated he had no development experience or expertise prior to his rotation to DEV. He described it as 'a baptism by fire. I had no skills in development. It would have helped a lot to have had a background.' He had no experience or training in project appraisal, design, monitoring or evaluation, stating 'I would seriously question my ability to do justice to these tasks.' His budget exceeds $5 million.

Another DPM, with responsibility for allocation of over $10 million, stated it was 'totally inappropriate to put a person with no experience or skills in this area into this role.'

Another DPM commented that staff lacked appropriate skills and training:

> 'they are expected to select experts (consultants), monitor their performance, negotiate contracts, assess proposals and review reports yet they have no expertise in these areas. We therefore rely on DEAP and CMU, yet they are inadequately resourced. This slows the system down and our accountability falls down due to our inability to analyse, monitor and assess'.

This DPM expressed strong concerns with the lack of DPM ability to assess proposals involving millions of dollars. 'This is a very difficult and huge responsibility, and no training is provided'.

One senior MFAT manager said 'DEV doesn't have people who are specialised in the Pacific or who are specialised in aid delivery'.

The submission and public consultation process highlighted concerns regarding perceived inadequate levels of relevant staff development experience and skills. One stakeholder commented that 'if you used the same criteria for hiring DPMs as you did for hiring consultants, such as in-country experience, development, management and financial skills and experience, few if any current DPMs would be employed'.

A submission from a major New Zealand consulting firm stated:

> 'one of the key factors that influences the successful delivery of aid projects is the lack of significant aid experience with the Development Division of MFAT. Over the last ten years there have been few, if any, staff who have had significant field experience in the aid projects. A role of the DEAP section is to provide this expertise. Unfortunately there is not the depth of experience within DEAP. This lack of experience has meant that NZODA has become involved in poorly identified and designed projects.'

The DAC review stated that:

> 'In the New Zealand system, foreign service officers can be rotated to DEV or posted to a developing country having only slender experience in development, and sometimes none at all. Similarly, a rotation in the division is not routinely followed by a posting to a developing country, nor is a posting in a developing country usually complemented by a position in DEV in Wellington. This means that recent useful experience acquired is not being optimally re-used. At the same time, some foreign service officers do build up

substantial development experience in the course of their careers, and there are some outstanding examples. But they are not seen to be part of a specially identified and managed group within the ministry, and some observers believe that in-depth development knowledge and experience is not highly regarded, or sought after, in the MFAT culture.'

Some DEV specialist staff had worked internationally in the Pacific and/or Asia. They brought valuable, often sector specific experience and skills to their positions. Yet other specialist staff had little or no development experience, with generalist backgrounds that were not necessarily related to their positions. Some of these staff had very limited prior experience with appraisal, design, monitoring or evaluation of projects, yet along with their rotational counterparts were expected to assess detailed aspects of proposals and reports and to subsequently make decisions on funding worth millions of dollars. Specialist staff felt that the source of useful peer advice and guidance in DEV is very limited. The overall lack of development skills places considerable strains on DEAP, often resulting in excessive requests for programme support that could normally be handled by experienced staff.

The Scholarship Management Unit has responsibility for distribution of approximately $44 million, yet according to management there were no specialist staff in this unit. The team was told that there was a strong case for the Manager's position to be filled by someone with strong educational expertise, as the unit is required to assess the quality of programmes, educational institutions and support services and to provide policy input. Management felt it could be argued that the others in the six-person unit should also have education backgrounds, and questioned if current staffing approaches provided the necessary skills and experience for the tasks.

During the public consultation process, strong concerns were raised by a range of stakeholders regarding a perceived lack of DEV and post staff development and country/regional skills, knowledge and experience. These stakeholders felt that Deputy Directors and DPMs had a limited understanding of development, poor organisational knowledge base, limited skills and experience base, limited country and regional knowledge, limited knowledge of client base, and often exhibited conflicting priorities. 'The fundamental question is the value that is placed on development assistance within MFAT. They may be good at relationship building from a political standpoint, but they do not have development skills.'

4.8.3 Use of Consultants

'To achieve excellence in aid delivery the appropriate skills and experience need to be drawn into the aid agency through the consulting community. For the South Pacific programmes it is important to ensure the use of Pacific-centred approaches and Pacific-knowledgeable staff and consultants.' (Chapter Three)

The Identification, Selection and Evaluation of Consultants

DEV supplements its own resources and expertise through the use of consultants. NZODA contracts out delivery of most ODA through firms and individual service providers. The value and impact of NZODA is directly related to the delivery of quality services. Contractor performance is a key aspect of project sustainability as well.

ICF states that 'New Zealand (and Australian) goods and services are used where these are cost effective and compatible with the principal purpose of NZODA. Quality in the delivery of NZODA is pursued through selection of goods and services on the basis of competitive bidding.' ICF also states that 'the NZODA programme encourages the involvement of all sectors of New Zealand society in its international development cooperation effort including suppliers of goods and services in the private sector, educational institutions, non-government organisations, ethnic communities, and government agencies. Maori have a special contribution to make.'

Within this context, NZODA provides untied grant aid and technical assistance. The vast majority of contractors are New Zealand based individuals or firms, followed by a small percentage of Australian firms. A small handful of local consultants are engaged in partner countries, principally to work on appraisal, monitoring and evaluation of NZODA activities.

Appendix C provides a detailed analysis of how NZODA identifies, selects and evaluates service providers. A summary of the key findings of this appendix is provided here.

Based on Contracts Management Unit figures supplied for the last financial year, NZODA expenditure on consultancy contracts was approximately $28.6 million, or 13% of ODA volume. The value of contracts has ranged over the past five years from around 17% to 12 % of total ODA expenditure. Despite established and detailed open tender requirements, according to the most recent Contracts Management Unit records, of a total of 209 contracts over an 18 month period only 25% were tendered. Contracts with fee value between $30,000-$60,000 had a 27% tender rate, and contracts over $60,000 had a 44% tender rate. The remainder of contracts were provided on a non-competitive basis. The review team was told there are no specific, defined criteria for determination of which contracts can be let without competitive tendering, other than agreement from a Deputy Director or the Director.

Stakeholders from the consulting community expressed concern at several aspects of the contracting system within DEV. Consultants queried whether contracting guidelines are adhered to by Contracts Management Unit. It was felt that the process of contracting and tendering lacked equity and transparency. The review team was told that there is no formal assessment of consultant performance at present. Strong support was expressed for systematic and transparent consultant performance assessment and provision of feedback.

There is a perception that many consultants and firms are increasingly moving away from bidding for NZODA work due to uncompetitive fee rates and lack of equity and transparency in the tendering process. One submission stated that:

> 'New Zealand has a number of internationally recognised consulting specialists who are rarely involved in the NZODA programme. The expertise of these people is appreciated by agencies such as IFAD, UNDP, ADB and AusAID that utilise them on a regular basis. The reason that MFAT does not contract these people is largely based on fee rate.'

This raises questions as to whether the best people for consultancies are being encouraged or discouraged to work for NZODA, and whether the resulting pool of qualified service providers is large enough.

Field Delivery by Consultants

With regard to programme delivery in the field and the role of consultants in that process, post staff frequently expressed to the review team confusion regarding the lack of clarity of roles and responsibilities between DPMs, MSCs, consultants and the post. Several partners indicated that they were also confused regarding NZODA project management systems - who was responsible for what in NZODA delivery and decision making. The resulting perception was of significant overlap between these parties and that NZODA does not maximise efficiencies and cost effectiveness in aid delivery. This view was shared by more than one High Commissioner. A senior Pacific Island official responsible for relations with NZODA expressed frustration with the apparent overlap of responsibilities that led to delays between problem identification and action taken. He suggested that 'NZODA needs someone able to make a decision'.

Several bilateral partners called for a more flexible approach to aid design and delivery. Specifically, they felt that there was a need for NZODA to be more open to provision of on the ground advisers as opposed to reliance on MSCs. Current NZODA use of on the ground advisers would be the exception, and not the rule. While partners appreciate the work of the MSCs, they frequently made comparisons to other donor use of advisers and the benefits that arise from this,

including enhanced capacity building, greater understanding of local culture and customs, skills transfer and institutional strengthening, increased responsiveness and ability to make quick, informed decisions. The benefits of relationship building and increased accountability were also cited. The review team was told that NZODA has moved away from provision of advisers under the belief that this undermined local ownership and encouraged reliance on external assistance. However, partners felt strongly that NZODA had gone too far in the opposite direction, that the current system of MSCs was too prescriptive, and that a greater mix of consultants and advisers was called for.

Some partners raised concerns regarding the negative impact that MSCs and their consulting teams can have on local capacity. One stated that:

> 'the constant flow of consultants in and out is disruptive, labour intensive and costly'.

An example provided by the head of a Pacific Island government department involved a MSC with six team members that he said flew in for three to five days a month (usually more than one consultant, often two to three and sometimes all six), and not at his request. The demands placed on his staff were excessive and the disruption caused significant. This view was shared by some post staff, who felt that there was 'a never ending procession of New Zealand consultants coming and going', making demands on post staff, partners and stakeholders.

One Deputy High Commissioner stated that 'in recent times NZODA appears to have become consultant top heavy, and it would be useful to have a cost benefit analysis of the overall cost of consultants to NZODA over say the last five years, in comparison to the cost of funding allocated to supporting projects'.

Use of Local Consultants

Post staff (both New Zealand and local) called for increased use of local and regional consultants where possible. Local staff felt that cultural and language barriers are more easily overcome through the use of local consultants and that they have greater ability to gauge local need and to identify appropriate solutions. This was also supported by a senior MFAT staffer, who felt that: 'NZODA needs people who have empathy with and understanding of the people they are working with' and that more local consultants should be engaged to ensure this was happening. While outside consultants are seen as bringing independent views, local consultants bring other benefits and are seen as more cost effective. The use of 'mixed teams' was suggested, as was the opening up to local tendering of MSCs. These views were echoed by several partners, who felt that there were local skills and expertise that could be utilised on a more cost-effective basis, which would also assist to build local capacity and contribute to the local economy. The heavy emphasis on expenditure of programme costs on external consultants was a frequently expressed partner concern. The desire to utilise local talent whenever possible was often raised. This was also seen as a means to build local trust with counterparts.

There is recognition of the need to involve the New Zealand community in ODA partnerships and several DPMs have referred to the value in this. However, building such relationships was viewed as time consuming and was not seen as a priority by many staff. One DPM who did seek to engage New Zealand based stakeholder groups was told not to by a senior manager because 'we can't open up to let others dictate what we do'. This does not seem to reflect a productive partnership approach.

4.8.4 The Role of Overseas Posts

Posts in 28 countries (including multilateral/regional representation) have staff assigned with some responsibility for ODA delivery. The amount of staff involved ranges from nearly seven Full Time Equivalents (FTEs) in Suva to 0.02 FTE in New York. In posts where there are active NZODA programmes, FTEs are generally spread across a range of post staff that may include

the High Commissioner, first and second Secretaries, through to local staff. Where warranted, one staff member is tasked with the lion's share of ODA responsibility, and is generally referred to as the 'aid officer'. The review team was told that as most FTE staff work only part time on ODA matters they have multiple and at times competing interests in their work. How such tasks are prioritised is unclear. Allocations of time against the ODA budget are based on estimates (terms used to explain the process included 'rough estimates' and 'best guess') spent by various officers on ODA related activities. The team was told that tracking actual time was considered too labour intensive. Costs of operation of posts are charged against the ODA budget on a pro rata based calculation, including FTE percentages of salaries and entitlements of all staff engaged in ODA.

Some existing and former DEV staff and stakeholders raised questions regarding whether ODA funds were being utilised to cross-subsidise post operations. Given the high cost of post operations, it was suggested that ODA could possibly be run on a more cost-effective basis in the field. Examples given were the ODA cost sharing of salaries and entitlements of the High Commissioner and other New Zealand staff, and significant overheads that do not necessarily contribute to ODA delivery in a way that provides sufficient value added to justify the considerable costs. Given that under the rotational system, salaries move with people and are not linked directly to positions, this can add significant costs to the ODA budget. Uncertainty was also expressed regarding the accuracy of post staff time committed to ODA versus other diplomatic and trade obligations. Hiring of additional skilled, local staff as opposed to New Zealand staff was suggested as a more cost effective, efficient and appropriate means of ODA delivery. This option was frequently raised and strongly supported by bilateral partners. AusAID estimates that three to four local staff (with a minimum of a BA) can be hired for the cost of one expatriate staffer. They feel this results in less turnover, more sectoral focus, greater institutional knowledge and builds local capacity. However, the MFAT based rotational system appears to limit opportunities for local hire.

Post staff have a range of roles. They often manage small projects funds involving proposal assessment, referral to DEV or approval. They also have a monitoring role. They provide a liaison and advisory role with and between Wellington, DPMs, MSCs, consultants, partners and stakeholders. They are supposed to be briefed and debriefed by parties that enter and leave countries on ODA business. They are often the first port of call when there are queries or concerns in ODA issues. They serve on project committees where necessary and participate in HLCs and other bilateral discussions. They are responsible for local donor coordination. Administration of scholarship programmes and liaison with students is also an important and time-consuming part of post assistance, especially in the Pacific Island countries. There are financial accountability, supervisory, NZODA publicity and administrative responsibilities as well. Post staff are often called upon by DPMs to provide input and feedback on project identification, appraisal, design and implementation issues.

Post staff are rotational MFAT officers and are not 'specialist' staff. As noted above staff placements whether in Wellington or at posts are not necessarily based on a particular set of development skills or experience linked to a position. Post aid officers' are often on their first posting. They do not tend to have training, skills or previous experience working in development. Many are recent recruits, having joined MFAT within the past few years. They have not necessarily worked in DEV before posting.

Several post staff commented that having development experience in their work is very important - that it would be a very difficult job to do without it. Yet, of post staff interviewed with principal responsibility for ODA only one had served in DEV (for a bit over a year) and none of the others said they had previous development experience.

One post aid officer described the relevant ODA skills she brought to her job as 'accounting, cash handling and forecasting, analytical and communication skills, and some knowledge of the

Pacific'. Yet, the High Commissioner from this post described the skills necessary for an ODA post position as:

> 'a solid understanding of the develop process, local and national needs, Melanesian/Polynesian society in the Pacific context, local culture and customs, regional understanding, knowledge of regional bodies, operations of other donors, good communications and coordination skills, understanding of the domestic political environment, and relations between the bilateral partner and New Zealand.'

Both the High Commissioner and the aid officer agreed that there would be value in having a development specialist at the post, but according to the High Commissioner this person would need to have representational skills, 'to come from the MFAT mindset' as they would be called upon to backstop when other post staff were unavailable. Other High Commissioners supported the concept of having specialist staff at posts as well.

The desirability of having development specialists at the post was shared by many partners, and by local post staff. According to some partners and stakeholders, NZODA post staff were often perceived more as diplomats than development specialists, lacking in development skills and experience. Comparisons were made to other donors, such as AusAID and DfID, whose offices are staffed with development specialists, not foreign affairs officers. Local staff raised concerns regarding rotation in of seconded New Zealand staff with no knowledge of or experience in development. They felt this placed an undue burden on them. This was also seen as difficult on local recruits, who relied on New Zealand staff for guidance and insight into development issues. According to local staff, some senior bilateral officials were reluctant to meet with 'junior' post staff who did not understand core bilateral ODA issues from a development perspective, resulting in a poor impression of NZODA in more than one Pacific Island country.

> 'Rotating in people who are unskilled and untrained, don't understand local culture and customs is not appropriate, and these people are not respected. This shows a lack of sensitivity to and respect for partners. How serious is MFAT in delivering its services when it sends inexperienced staff?'

This concern was raised by a MFAT manager, who stated that MFAT staff were 'not well attuned to the cultures of the Pacific'.

The view was expressed by several DPMs that post staff lack sufficient skills to effectively monitor ODA activities, let alone the resources given the large amount of small projects funded in most countries.

Resourcing at Posts

Some post staff felt the ability to deliver quality assistance and to effectively meet NZODA obligations is compromised by lack of adequate resources. A MFAT manager stated that 'Posts don't have the capacity to know what is going on in the provinces. We are spread too thinly in the Pacific. We have good interaction with governments and capitals, but should get to know the people. Our depth of knowledge of the region is poor.'

Several staff indicated they could not get out beyond the capitals frequently enough to build relationships, engage with civil society, monitor project progress, gain insights into development needs or identify new ODA opportunities. One long term MFAT staffer stated that' while MFAT philosophy is to do more with less, we are trying to do too much with too little. We are not lean and mean, we are anorexic.'

Confused Role of Aid at Posts

According to post staff, their role in ODA delivery is not always clear. As discussed above, they feel there can be considerable overlap and duplication of effort between themselves and DPMs,

MSCs and consultants. This confusion was recognised by many stakeholders during the public consultation process. There is a perceived tension between posts and DPMs on roles and responsibilities. Given the general confusion that can exist regarding who is responsible for what in ODA delivery, post staff feel they are called upon to carry out tasks that should fall to others. This also has led to confusion with partners and stakeholders regarding roles, and at times a false impression of what post staff are tasked with and able to achieve.

Devolution

A major source of frustration for post staff and partners related to the inability of post staff to make certain ODA decisions. Post staff felt that more decision making should be devolved to the field, as staff are 'at the coal face' and better placed to respond to changing needs. Several High Commissioners agreed that devolution provides more flexibility and ability to be responsive, but felt this would have significant resource implications for NZODA. Many partners also supported devolution. Concerns were raised regarding the 'Wellington-centric' approach of NZODA that sometimes led to significant delays ('from months up to a year') in decision making. These delays were seen to impact negatively on implementation (especially small projects) and timing of reviews. Comparisons were frequently made to other donors, such as AusAID, that are able to make decisions in the field. AusAID informed the team that within their agency there is a trend to localise field functions, as this is perceived as cost-effective, builds local capacity and is more efficient. This devolution process was also supported by the DAC.

4.8.5 Institutional Culture Leads to a Learning Environment

'Appropriate guidance and management systems should be developed through clear top-down messages to create a climate of commitment to poverty reduction.' (Chapter Three)

Recently, an independent review conducted by Australian firm Advanced Dynamics was initiated by the Secretary of Foreign Affairs and Trade to examine MFAT institutional culture and management systems with a view to identifying opportunities for improvement in organisation and work practices. Stakeholder and staff input informed the discussion piece. While this study is ongoing and was not DEV specific, the initial findings reflect key aspects of overall MFAT management systems, approach and culture, including DEV.

Strong concerns were raised in the Advanced Dynamics paper regarding management and operational issues. 'Stakeholders that work closely with MFAT called for a significant shift in managerial performance to:

• Change the internal culture of the organisation to be more inclusive of different views

• Overcome the need for a shared world view as the means to hold the organisation together

• Improve innovation

• Improve strategic capability

• Replace the 'extremely repressive and unproductive culture that does not encourage innovation or reward excellence'

• Prevent free-speaking people from being pushed sideways

• Encourage MFATers to question the status quo.'

Several DPMs commented that DEV management is not considered responsive or inclusive when it comes to staff input. One DPM felt this impacted on external relationships with partners as well, stating that 'an organisation that doesn't practice participation internally can't practice it externally. Partners see us talking, but not delivering.' He felt this reflected the lack of partnership in DEV approaches. In support of the Advanced Dynamics findings, a senior manager stated 'there isn't a contest of ideas. If you were to contest, you would be seen as a troublemaker'.

Advanced Dynamics stated that MFAT will 'experience increasing difficulty in meeting stakeholder expectations in the future unless it learns to adapt its operations to the changing external environment. The current mode of control does not allow this responsiveness. There is little evidence of an effective strategy to respond to the external environment.'

According to Advanced Dynamics, stakeholders see an organisation that is stuck in a traditional mode of operations. They 'called for MFAT to:

- consider different ways of doing business (eg: question rotational model)

- use specialist staff in key roles rather than recycling policy people on fairly short tenure

- welcome divergent views and internal debate to challenge current thinking - not go for consensus - avoid cloning

- overcome internal patch protection.

'The strength of adherence to the MFAT way of operating is also its weakness because it inhibits learning. MFAT's performance dynamic cuts out the opportunity for the organisation to learn. The pressure to conform removes the diversity that encourages learning. MFAT does not understand the value of investigating incidents for subsequent systemic improvement. The 'real' performance system is based on personal accountability that drives system failures underground. MFAT manages the performance of its staff in a way that has historically met the short term expectations of government for timely delivery of policy and diplomacy. This intense focus...pervades its human resource systems...'

The Advanced Dynamics paper referred to 'a self-perpetuating culture of arrogance, elitism and paternalism. The vision of MFAT is one of business as usual - no challenge to improve towards a clearly better state.' They suggested 'Opening the organisation to external input in a way that improves the quality of policy advice through:

- making internal processes more transparent when viewed from the outside

- overcoming perceptions of arrogance through a more externally collegial style

- seeing value in interacting with stakeholders other than Ministers

- being less secretive and engaging with other policy thinking.'

How such a culture and management approach might effectively advance a poverty focused, partnership based ODA programme is questionable.

The culture of the organisation combined with the rotational system permeates the management systems. For example while DEV/MFAT managers have some say in rotational staff placement in their sections, they do not have final authority to specifically select or dismiss their staff, yet are responsible for staff performance. One senior manager stated that they do not have control over 'hire or fire'. According to Advanced Dynamics, this can lead to significant and negative organisational impacts. Advanced Dynamics states that:

> 'Managerial accountability in MFAT is constrained by diminished authority. The rotational system drives personnel policy. Under this system, managers do not have full power over selection. The rotational system removes people on a time cycle releasing the manager from accountability for performance. Other non-performers are 'parked', not dealt with.'

Being parked in DEV was described to this review team by a senior manager as 'being given the golden handcuffs.'

The Advanced Dynamics paper went on to state that 'There is no institutionalised system of managerial accountability to drive improvement. Rather MFAT relies on individuals adopting personal accountability.

4.8.6 Learning Organisation

'A successful aid agency will be knowledge-based and a learning institution. Best practice requires the ability to expand institutional knowledge about what works in aid and what does not. Disseminating this knowledge should be core business.' (Chapter Three)

There is no defined system for information sharing, circulation of reports, reviews or studies in DEV.

One senior manager stated that 'records of decisions at institution and desk level is very poor.' Coordination of information between DPMs (multilateral, regional and country based) is limited and generally depends on individuals seeking others out. While this practice is not unique, the weak link is knowing who has what information or review finding that could be of value to others. Staff felt there was very limited inter-programme sharing of knowledge, that it was 'random'. Another stated that there were no synergies with bilateral desks, that a learning environment was not encouraged, that there was a concept of 'the less information given the better'. Weekly staff meetings appear to focus on administrative matters.

There is no data base system that might assist with this process. Reviews, reports and study documents are spread out and not housed together in DEV. There is no record kept of such documents that facilitates access. A post submission to the review from Niue suggested that:

> 'it seems logical to implement an ongoing database of reports undertaken on behalf of NZODA for reference purposes. This could be country by country and cross-referenced by topic, as a study undertaken in one country could have application in another. One section could include reports undertaken by other donor agencies. This line reference system would we feel help eliminate re-inventing the wheel. For example we have agreed to support a soil science research project on sustainable taro production. We were told this week by a soil specialist here to work on our Forestry project, with long-term expertise in this area, that there have been plenty of studies done on the soils in Niue which could have application here.'

Staff felt strongly that the rotational system militates against institutionalisation of lessons, making creation of a learning environment very difficult.

DEV and/or MFAT staff frequently attend international meetings, conventions, forums and conferences or prepare papers for submission. These staff are expected to make informed contributions to these gatherings, which are based on NZODA experience. They are also expected to take back to DEV information gained, decisions made, directions taken, etc. According to several DPMs, papers that are written for such meetings are 'not informed or based on New Zealand experience.' One DPM said, 'I write these documents in a vacuum.' Expressing discomfort with this practice, the DPM added:

> 'we need a better way of doing business. Informed decision making, productive, accountable, strategic and transparent aid delivery systems based on experience and informed decisions'.

There does not appear to be a system to ensure that MFAT staff who attend international conferences, meetings or forums feed this information back through to appropriate DEV staff. According to a DPM, 'unless a DEV person goes to such meetings, there is no learning. Some who attend these meetings have expertise, others don't. It's very patchy. There is no systematic approach to maximise benefits from participation in international meetings.'

Another DPM involved in international meetings stated that 'there is no system to translate or incorporate decisions at UN summits into policy within DEV. There is no system to communicate these decisions to DPMs.'

Concerns were raised during the public consultation process with the lack of a learning environment in DEV. The view that DEV needs to be willing to learn from its failures as well as successes was raised. This was also discussed by Advanced Dynamics in their paper. The view that there was a lack of information sharing and transparency was frequently stated. Reports are not systematically circulated to the public, nor made available through request off the web site. Problems with sharing of lessons with partners and stakeholders was mentioned, especially those who participate in reviews. The view that DEV systems do not facilitate sharing of information or a learning environment was expressed frequently. There was a call for a transparent process to deal with DEV staff and consultant reports - to enable wide exposure to lessons learned.

One DPM summed this issue up by stating that:

> 'DEV needs to become more of a knowledge organisation versus a financial granting body, providing creative options and opportunities in response to needs, with the research capacity to back it'.

The need to make lessons learned available to stakeholders, including the public, is an important aspect of NZODA partnership as well as accountability. According to the DAC review, 'The NZODA Annual Review contains a list of evaluations conducted during the previous year, but no description of the main findings.' MFAT also produces an Annual Report that lists highlights of achievements by key result areas. According to the DAC, 'no highlights derived from New Zealand's longer-term development cooperation efforts are mentioned in this report.' They also note that DEV reports annually on their performance, but that 'this does not refer to any achievements through NZODA's bilateral country programmes or its various sector and thematic funds and scheme.'

While copies of completed reviews and evaluations are, in principle, available to the public on request these are not made generally available. MFAT and the Council for International Development host semi-annual full day meetings with NGOs that regularly include a session for sharing of review findings of particular interest to NGOs, such as the VASS reviews. Similar seminars have been held for users of the ADAF. These are worthwhile models that could usefully be considered for wider dissemination of lessons to all NZODA stakeholders.

Related to the issues of a learning organisation is development education for the public in New Zealand. Support for development education in New Zealand was raised during the public consultation process as well. NZODA provides valuable assistance to the Development Resource Centre (DRC), and this is appreciated. However, according to the DRC, 'with only 0.28% of the NZODA budget going towards development education, the programme as a whole is severely limited in its ability to reach areas of the public. There is a great need to address the allocation of funds to this sector if the New Zealand government is serious in its commitment to educating the New Zealand public on development issues.' The DAC review supports this position, stating that 'more could be done to increase public knowledge of and interest in aid'.

4.8.7 Training

'In a successful aid agency staff are given time to learn and to analyse' (Chapter Three)

Many DPMs complained to the review team about their workloads and the implication this had for quality job performance. The DEV training paper stated that the 'workload is imposed incrementally and without sufficient consideration of practical and personal limits'. A DPM frustrated with the workload stated:

> 'I just can't get out from being snowed under by the workload to be able to stop and think about the big picture. Quite frankly, I am sick and tired of being exhausted all the time.'

In terms of having time for training, the workload issue was frequently mentioned as a concern. In addition, according to senior management, there is no training plan for DEV staff, no training unit, or dedicated training staff.

DEAP is generally tasked with provision of training to DEV staff. Yet, the team were told that DEAP does not contain training specialists, is not adequately resourced to provide on-going training and DEAP staff are already stretched too thin with existing responsibilities.

Orientation training is the main focus for new recruits and rotational officers in DEV. This training consists of a five-day course that provides an overview of a wide range of key components of NZODA, including introduction to the project cycle, introduction to contract and relationship management and sectoral overviews. According to the DAC review, orientation sessions range from 15 minutes in length to just over three hours, with the majority lasting an hour or less. While staff are encouraged to attend this training for the full five days, many said they did not. The training has not been offered on a regular basis, and several staff indicated that they had been working within DEV for up to six months prior to attending. While staff comment on orientation training varied from 'quite interesting' to 'useless', it was generally not considered very practical or particularly useful. It was described as a 'light once over' by several staff.

Orientation training is the main, if not only training for most DEV staff on development related issues. While some staff took advantage of external training opportunities provided by MFAT, others felt that training was not encouraged, and at any rate there was not enough time to devote to training. One DPM was sent overseas for a lengthy training course on an issue specific topic, which was described as excellent. However, the DPM felt that the Ministry never used the skills gained. The team was told that the Deputy Director who had arranged for the training opportunity subsequently organised a seminar on the issue concerned yet didn't invite the DPM to attend. Still others had made their strong concerns known to DEV management regarding their perceptions of inadequacy of training provided. More than one aid officer complained to the review team that given that they had no development skills or experience prior to being posted, the limited pre-posting training provided (which often consisted of talking with the relevant DPM) was totally inadequate to enable them to do their job properly. One former post officer quite forcefully stated that training was totally inadequate, and of a poor quality, adding - 'I was reluctant to say anything for fear of repercussions. I was told to put my head down and tail up.' One senior manager described it as an 'amateur training process by international standards'. Many staff referred to the 'real training' as on the job training.

Given that for many staff this is their introduction to development assistance as well as financial and contract management, and that they are tasked with the efficient and effective delivery of millions of ODA dollars, this raises some serious issues regarding their ability to perform the tasks expected of them to a high standard, especially in their first year. Several staff felt that detailed training in financial management and budgeting should be provided to all staff. One 'specialist' staff member stated that she had no prior experience working in development. She had no logframe training, yet was expected to assess them. She had no project cycle training, but was expected to assess funding proposals and reports.

It appears that DEV have recognised the need for improved training, as the team understands that there has been work undertaken in recent months to progress development of a DEV training and education plan. This is to include introduction of shorter, more regular courses alongside the orientation training. Reference has been made above to a paper that informed this process. It is too early to tell if this plan, once implemented, will meet the concerns raised by staff and stakeholders regarding training needs.

4.8.8 Careers for Development Professionals

'Aid professionals should be rewarded for success in poverty elimination through career advancement and the option of field postings.' (Chapter Three)

Many existing, former staff and stakeholders felt there was a poor perception within MFAT of the role and importance of DEV. Views on DEV included: 'DEV is a poor cousin within MFAT',

a 'dumping ground', 'not how you climb to the top' 'a dead end', and 'not the main game for staff'. This is perceived as having hampered staff interest in working in DEV.

The team was told that there is no system of career interviews for staff, and no defined career track. According to a senior manager, staff advance (from a DEV viewpoint) through a non-strategic process. MFAT policy and corporate services staff are generally rotational, while contract staff are generally position specific hires. The team was told that management positions in DEV are not advertised internally within MFAT or externally, and that appointments are made by the Senior Management Group without systematic reference to eligible staff. No applications are called for, as the Senior Management Group reserves the right to make management appointments. DEV management positions are not hired directly by the Director, nor are appointments necessarily made based on high levels of job specific skills, expertise or experience related to ODA.

Several staff raised concerns with what was perceived as mixed messages from management regarding performance measurement. The team was told that 'DEV is not motivated by development practice or theory, but by administration and budget management'. While there are several components to DPM performance review, there was a clear message from DPMs that performance was largely assessed on accountable budget disbursement, and not on the quality of the programme - that ODA is not managed as a business, but is looked at from a financial management perspective. Several commented that they felt that the incentives were wrong. According to staff, there is no job sizing for DPM positions, which also has implications for performance measurement.

Advanced Dynamics reported that 'The combination of the promotional and rotational systems hands out sought after assignments that are the real driver of behaviours impacting on organisational performance. Control is exercised through the award of assignments that is THE cultural measure of personal success.'

The DAC review noted the absence of a career track impacts on non-rotational staff as well, stating 'the fixed-term nature of their employment in many cases means that staff turnover also occurs regularly among these people.' Opportunities for specialist contract staff promotion, secondment or posting are considered by these staff to be 'virtually nonexistent'.

Chapter Five

Conclusions and Recommendations

5.1   Introduction

There has been a wide range of reviews undertaken of various aspects of NZODA and MFAT over the past ten years. These include the 1990 Foreign Affairs and Defence Committee Inquiry into NZODA, DAC reviews, and the Advanced Dynamics review. Each of these reviews has been undertaken with its own scope and methodology, within its own time frame, with its own variable access to information and with its own Terms of Reference. Each has reached its own conclusions. The 2000 DAC review for example said New Zealand had a 'serious and credible aid programme' despite it facing a number of challenges. However, there is a commonality of themes that have emerged from these reports - and they point to the need for significant change.

This Ministerial review is possibly the most extensive and far-reaching examination of NZODA that has been undertaken in the history of New Zealand development cooperation. We have also found the need for significant change. The team has found an aid programme that does not reflect the key qualities of good development assistance. Rather, we have found an aid programme that is, at best, sub-optimal.

5.2   Summary of Findings About NZODA

Many donors have concluded that an effective aid programme has a single clear mission focused on poverty elimination. NZODA lacks such a clear mission. Management and staff are pursuing poorly defined development assistance, foreign policy and trade objectives. There is a serious confusion of purpose. At the implementing end, desk officers are uncertain and concerned about the core mission of their work.

A successful aid programme has a strong policy framework that sets the rationale and direction of the aid work, making it clear what the desired outcomes of the programme are. NZODA does not provide clearly defined, measurable and accountable policy guidance to its staff for decision-making. The NZODA policy framework does not contain a clearly stated goal, define objectives or establish priorities for development assistance.

Focus is necessary for an agency to deliver aid successfully and efficiently. NZODA lacks such focus. It has 63 bilateral partnerships and only four of these are based on country programme strategies. There are no country-based poverty analyses. There is no defined strategy for NZODA in the Pacific where over half of New Zealand's aid is delivered, nor is there a defined strategy for any other region that NZODA operates in.

A successful aid agency makes accountable choices between funding mechanisms (bilateral, multilateral, NGO or regional) based on careful strategic analysis. In NZODA for the $167.4 million allocated bilaterally, there is no formal documented system of analysis or defined criteria used for determining the annual allocation process. No systematic analysis is conducted which examines past performance of programmes, absorptive capacity, other donor activity, sectoral analysis, priorities or specific policy considerations. The decision making process was variously described as disorganised, unstructured, haphazard and arbitrary. For the $59 million allocated to multilateral organisations, there is no formal assessment of the match between agency mandates and NZODA's, and no specific assessments of organisational performance, cost effectiveness, outcomes, or effective contribution to development assistance.

Despite the fact that there are good projects being managed by NZODA, this agency does not systematically use best practice in aid design and delivery. Bilaterally, NZODA is primarily project based rather than sector based. There are at least 300 bilateral projects, with each DPM responsible for managing on average 20 large projects (with an average size of $300,000). Effective, strategic and accountable management of such a large number of disparate projects by desk officers is questionable. Desk officers constantly described their workloads as excessive. Many DPMs have no time even to read consultants' reports about their projects, let alone think strategically, learn lessons from each other, understand the countries they are managing, undergo training, or study how to apply NZODA policy to their programmes.

Over 40% of the NZODA bilateral budget, a total of $60 million, is allocated to education and training. Approximately 90% of this funds tertiary education scholarships, of which approximately 85% is provided in New Zealand. This is despite the fact that internationally, there is strong recognition that supporting basic education should be a prime aid objective, and that many other leading aid agencies have stopped giving scholarships because of their uncertain link to development outcomes. Poor completion rates and failure of students to return to their home countries is a problem, which raises serious questions regarding effectiveness of the scholarship schemes and equity concerns in relation to fee paying New Zealand students.

Experience shows that ownership by the recipient government over a country -based poverty elimination strategy is essential if ODA is to be successful. It is the partner government actions that will determine overall success or failure in meeting the needs of the poor. Despite this, for NZODA, involvement of partner governments and stakeholders in project appraisal and design, monitoring and evaluation is inconsistent. NZODA staff are unclear about how to work in partnership with governments that are judged as not having the capacity to engage effectively on development issues, despite the fact that this is an essence of good governance.

Every aid agency needs to ask two evaluative questions: why do we do what we do? And what is the impact? The answers to these questions help the agency know if it is making the right choices and pursuing effective strategies. DEV focuses on input measurement and financial accountability, but does not have an effectively systematic approach to measuring NZODA outcomes. Staff from desk officers to senior management were unable to describe how NZODA ensures accountability in its programme against established policy and guiding principles. There is no defined analytical process for monitoring and evaluation to inform planning or funding decisions.

Under the rotational system, managers do not have full power over selection of their staff or their removal. Skills based job placement is not guaranteed. DEV was referred to by staff as both a training ground for diplomats and a dumping ground for non-performers. Staff complaints about the lack of systematic, acceptable hand-overs between desk officer rotations were common. Country programmes can be left vacant for months and new desk officers can begin without briefings on their programmes, organised files, notes, funding guidelines, work plans, and little guidance.

A high quality aid agency will be staffed with skilled and experienced development professionals who design and manage the aid programmes. NZODA management is not selected based on skills or expertise in development assistance. Senior DEV management do not routinely have development-specific educational qualifications, development experience or extensive training specifically related to ODA. Of the rotational DEV and post staff interviewed, virtually none had development training or sectoral expertise, experience or skills prior to joining MFAT. Many had never visited their country or region of responsibility before. Most had no existing experience with, or understanding of, local culture or custom, country specific political and economic conditions, local needs, working conditions, participatory methodologies, or cross cutting issues. There has not been a training strategy to fill these significant gaps for DEV staff. There is no training unit or dedicated training staff. Several staff members described their responsibilities for large aid budgets as inappropriate given their limited skills and experience.

An effective aid agency will have transparent, equitable and competitive contracting systems in order to attract highly skilled and experienced consultants to assist with the delivery of ODA. Approximately $28 million of aid budget in recent years has been spent on consultancy contracts and yet in the last 18 months only 25% of these contracts were tendered. The remainder of the contracts were provided on a non-competitive basis. There are no specific, defined criteria for determination of which contracts can be let without competitive tendering, other than agreement from a Deputy Director or a Director.

A successful aid agency will be knowledge-based and a learning institution. In DEV there is no defined system for information sharing, circulation of reports, reviews or studies. Staff felt strongly that the rotational system militates against institutionalisation of lessons, making creation of a learning environment very difficult.

Excellence in aid delivery requires that development professionals should be rewarded for success in poverty elimination through career advancement. In NZODA there is no system of career interviews for staff and no defined development career paths. Staff are not given incentives to excel at development. Rather DPMs described their performance as being assessed mainly on the degree to which they spend their budgets. Staff operate within the wider MFAT organisational culture which was described to a recent independent review as an 'extremely repressive and unproductive culture that does not encourage innovation or reward excellence'.

5.2.1 A Systems Failure

The conclusions that the review team has reached about DEV are already understood and articulated by DEV staff themselves. The reviewers received overwhelmingly consistent opinion from staff - from desk officers to High Commissioners - that there are deep problems within this agency. These are not the views of a small number of disgruntled staff. There was a critical mass of opinion that formed the basis for the key findings. Many of these views were supported by former MFAT staff, stakeholders, partners, documentation and through the submission and consultation process.

What is described is a failure of systems to support excellence in ODA. There is no doubt that in the history of DEV there have been good projects that have brought opportunities and improvements to many people. There are pockets of quality in DEV that have resulted in, for example, a highly regarded NGO funding scheme, and a Gender and Development policy that has won international favour. There are likely to have been productive and sustainable development outcomes in the recent history of NZODA. The problem is, it is impossible to really know. This review was asked in its Terms of Reference to describe who had benefited from NZODA. Other than anecdotally, we are unable to answer that question with any level of confidence because of the lack of monitoring and evaluation against outcomes and the lack of strategic focus to ODA. In the past decade New Zealand has used NZODA to invest nearly $2 billion in development assistance.

The 'pockets of quality' in the aid programme have been driven by highly capable, talented and committed individuals, both rotational and contract staff. The review team met some of these individuals and is impressed with their vision and their efforts. The whole of New Zealand's official aid programme could be, and should be, like that.

Over the next five years assuming ODA expenditure stays at current levels, New Zealand will spend nearly $1.5 billion on development assistance.

What is required most importantly of all, is a new autonomous institution to support a staff of development professionals dedicated to the achievement of one clear goal: poverty elimination. We do not believe that effective reform can be instituted without having an autonomous aid agency.

The new agency must conduct an entire overhaul of the goal, conceptual framework, objectives, policy statements, and priorities of NZODA. The programme needs a much tighter focus. It needs to be knowledgeable about best practice in aid and it needs to use that knowledge to design and implement ODA. It needs to monitor its performance against stated outcomes and to integrate lessons learned from experience. Evaluation will not result in learning unless people have access to information and an incentive to learn.

New Zealand has the opportunity to draw on the best international findings in ODA and its own experiences, to create an innovative, world class aid programme that has a clear strategic vision, and is cutting-edge, impact-focused, responsive to the countries that we assist, and a learning organisation. Despite the comparatively small size of our aid programme New Zealand has the potential to have international impact as a leader in development thinking and practice.

5.3 Recommendations

5.3.1 Recommendation 1

NZODA should be administered by an autonomous agency that has an undistracted focus on, and accountability for, the mission to eliminate poverty.

This review concludes that making the far-reaching changes recommended here is not possible under the existing institutional structure of DEV as a division within the Ministry of Foreign Affairs and Trade.

The 2000 DAC review of NZODA felt it would be 'timely for New Zealand to examine the current organisational and staffing structure for NZODA'. It felt that its relatively small size may mean that a separate aid organisation 'may not be an appropriate option' (a point that is challenged below). But it recommended that the current structure be reassessed as it is a model 'facing a number of interrelated challenges'.

The last New Zealand-based review of NZODA (by the Foreign Affairs and Defence Committee's 'Inquiry into Official Development Assistance') reached the same conclusion as this report about the need for an autonomous agency. The Committee cited problems with the rotational system and the lack of professional development staff in the agency at the time. It recommended that an 'independent aid organisation dedicated to aid policy and programme delivery be established.' Among the advantages the committee saw in an independent organisation were:

• The ability to 'target aid directly to the priorities identified as the development objectives, without having those objectives determined or undermined by non-development goals'

• 'Freedom to manage its policy and personnel programmes so that developmental benefits can be maximised, free from the constraints imposed by being part of a larger organisation'.

Around $2 billion has been spent on ODA since this was written. In the intervening decade, ODA has become considerably more sophisticated, requiring greater levels of professionalism to effectively and efficiently design and deliver.

This review bases its recommendation for a new autonomous agency on the following reasons:

Foreign Affairs and ODA Have Distinctly Different Missions

Foreign Affairs' core business is promoting and defending New Zealand's interests. Trade seeks to advance commercial opportunities for New Zealand business. The two missions build relationships with foreign governments and other partners based on these premises. The two missions seek opportunities and environments to work in which allow them to advance their core business.

ODA is about promoting and defending the interests and wellbeing of the poor. It seeks to advance the elimination of poverty. It builds relationships with agencies, governments, civil societies and beneficiaries to achieve this goal. (If it is successful in this task there will be secondary beneficial outcomes for New Zealand security and trade interests.)

To put it another way: ODA asks partner governments: what are your needs and how can we help them? Foreign Affairs asks: what are our needs and how can we advance them?

The missions are fundamentally different. They also may be in conflict. Foreign Affairs needs to build and maintain a relationship with a government for strategic interests. That same government may have a poor policy framework that would result in bilateral development assistance being wasted. An ODA-led approach would be looking for different delivery mechanisms to assist in poverty elimination in that country that is likely to require by-passing the government. Foreign Affairs would be seeking to manage and strengthen its relationship with the government. Similarly, trade interests may require partnership building and investment in partner government sectors that do not fit within a poverty elimination framework.

If New Zealand's ODA was to move towards a sectoral/Comprehensive Development Framework approach to poverty elimination (as is the global trend) these conflicts will become far more acute. A Foreign Affairs preoccupation with relationship building could undermine a collaborative donor effort to address poverty.

Tertiary education scholarships provide a further example. Meeting the ODA poverty goal (say, providing basic education instead of targeting scholarships) may undermine constituency building (upsetting the governing elite, for example). Addressing poverty successfully may mean that tertiary scholarships should only be provided to in-country or regional institutions (meaning there is no commercial advantage to New Zealand in the decision). Under a multiple mission agency, who manages these conflicts and under what mandate? Which goal has the priority and why?

The OECD's Development Co-operative Directorate describes a further conflict:

> 'Development co-operation needs to be predictable so it can be effective on a sustained basis. Political and commercial objectives can sometimes be narrow and short-sighted and can potentially undermine the discipline and stability that development programmes need. Moreover, the administration of large sums of money for development programmes requiring specific technical inputs and the accounting for such funds, is not a traditional activity of foreign ministries.'[59]

Mixed Goals Muddy Transparency of Outcomes

With ODA subsumed within a foreign affairs and trade portfolio as is currently the situation, the overall outcomes of the ministry are muddied. At present, achievement or failure in one portfolio cannot be clearly attributed to any particular intervention from that portfolio. Take tertiary education scholarships again. If they are not succeeding in contributing directly to poverty reduction in the target countries, then they may be succeeding in building constituencies for New Zealand. If they are not doing that, they may be providing commercial advantage to New Zealand tertiary institutions. Or they may not be effectively contributing to any of these objectives.

Where trade, foreign affairs and aid are mixed, the reasons for success or failure in an aid programme cannot be fully analysed and learned from. New Zealand's ODA strategy for China provides an example. It is based on New Zealand's 'central foreign policy goal' (not ODA goal) which is to:

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[59] Hyun-sik Chang, Arthur Fell and Michael Laird (1999) A Comparison of Management Systems for Development Co-operation in OECD/DAC Members' OECD

'develop and maintain a relationship with China which supports the pursuit of New Zealand's commercial interests, and encourages China's constructive involvement in the Asia/Pacific region in a manner conducive to our interests in peace, stability and economic growth in this region'.

There is no mention of poverty reduction or elimination in this goal so there is no mandate to monitor the effectiveness of the expenditure of our aid programme in reducing poverty. The goal does however provide a clear (and common) illustration of how ODA is sought to be used as a tool of foreign affairs.

The strategy however claims that 'the ODA programme can meet developmental objectives and at the same time serve New Zealand's political and economic interests'. How? Well, NZODA will support poverty alleviation activities consistent with NZODA Guiding Principles and Policy Statements. It will assist in policy development in sectors 'of particular concern to New Zealand' and it will focus on sectors that New Zealand has strong capabilities in and 'which will not undercut our commercial interests'.

What if the most efficient, strategic and successful way of meeting China's development objectives is along a development pathway which is not parallel to New Zealand's foreign affairs interests? Does MFAT drop the 'development objectives' component of its strategy? Or does it modify its trade and security analysis? Or does it do neither and keep the goals muddied? With any of these scenarios, it will be impossible to attribute success or failure clearly from any specific intervention to each component of the goal.

The result of unclear, mixed missions is an organisation that cannot find out what really works for the achievement of any one goal and is thereby inhibited in learning how to do its job more effectively.

Foreign Affairs Requires Different Skills From ODA

As this review reports, quality development assistance is a profession with its own academia, literature, field expertise, history and management approach. What is more, development is becoming an increasingly complex and sophisticated area of work that requires a high degree of professional skill. A successful NZODA agency will be staffed with skilled and experienced development professionals engaged in the design and management of the aid programme. The agency would have sectoral development expertise as well as deep development-relevant knowledge of the countries and regions where it works, in New Zealand's case, the Pacific.

A successful NZODA programme would also require skilled contract managers and information managers. It would need some staff with skills in nurturing and supporting the long-term partnership building and trust needed to effect good governance and policy work. Those skills could come through exposure to foreign affairs experience. But in an ODA-dedicated institution, those skills would be complementary to the core development business of the aid agency, not the other way round.

As opposed to the specific skills and experience that distinguish a development professional, Foreign Affairs requires quality generalists. It depends on recruiting talented generalists who can build experience in diplomatic skills through covering a wide range of subject areas during the course of their careers. Among many other skills they need to be able to maintain excellent 'customer' relationships and interact well with governments and leaders.

The rotational system and its impacts on DEV are discussed below but the point needs to be made here that even if the rotational system is altered to allow longer working periods of diplomatic staff in DEV, it will not solve this core problem: foreign affairs generalists do not have the required skills and experience to successfully design and deliver ODA. The review team was told this by a wide range of individuals during the review including stakeholders, consultants and partners as well as staff within both DEV and the political division of MFAT.

ODA Requires a Different Organisational Culture Than is Provided by MFAT

Development assistance needs to operate within a learning environment, one that is comfortable with risk-taking, rewards effective innovation, learns from failure, encourages debate, is participatory in nature and works through active and equal partnership.

MFAT does not provide that organisational culture. The culture of MFAT was described to Advanced Dynamics as 'extremely repressive and unproductive...that does not encourage innovation or reward excellence'. Advanced Dynamics also described how MFAT's performance dynamic cuts out the opportunity for the organisation to learn, and the pressure to conform removed the diversity that encourages learning. There is a 'self perpetuating culture of arrogance, elitism and paternalism' which is not conducive to participation or equitable partnership.

Even if MFAT were over time able to change these last attributes of its culture, the two different missions of foreign affairs and ODA are always going to require different organisational emphases, rewards, cultures and ways of working.

Poverty Reduction is Not Core Business of MFAT

DEV comprises 60% of MFAT's budget but it is not accorded the same priority and focus as MFAT's other functions. As an internal DEV Discussion paper notes: 'The 1999/2000 MFAT Purchase Agreement provides no allocation of the Senior Management Group's time to the oversight and management of NZODA, which represent a $227 million commitment of taxpayers' funds. This omission has been rectified, at least in part, by the creation of the new DSP5 position with responsibility for NZODA and the South Pacific' (a division also responsible for foreign policy and trade). However, because this single position draws these two separate missions together so closely it is likely to reinforce the blurring of objectives between the foreign affairs and ODA functions of the South Pacific.

It remains to be seen whether the new position will visibly increase the attention given to development principles and the incorporation of NZODA needs into MFAT strategic planning. In our view, it is unlikely not because individuals are not well-intentioned but because poverty reduction is not core business of MFAT.

It is clear that MFAT itself does not regard ODA prominently among its core businesses as testified by its key result areas and in its Annual Report. As noted by the DAC 2000 review of New Zealand ODA:

> 'Although management of NZODA figures prominently among MFAT's output classes, development cooperation is only obliquely included in the ministry's key result areas, principally as a contribution towards achieving broader foreign policy objectives and improving commercial opportunities.'

and

> MFAT's Annual Report 'does not refer to any achievements through NZODA's bilateral country programmes or its various sector and thematic funds and schemes...Moreover, the highlights reported do not mention poverty reduction as a general objective, nor do they relate to New Zealand's contribution towards achieving the international development targets'

The fact that poverty reduction is not core business of MFAT will become more acutely the case if ODA is to be focused entirely on poverty elimination as is recommended by this review. The divergence between the interests of ODA and Foreign Affairs and Trade will increase under this scenario, potentially exposing Foreign Affairs to challenge and risk and affecting its ability to discharge core responsibilities in the Foreign Affairs and Trade area[60].

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[60] Internal DEV discussion note, November 1999.

Non-Contestable Policy Development

It is a concern that a mission as important as ODA is to New Zealand has no direct reporting requirement to a Minister. Instead a third-tier manager within Foreign Affairs is responsible for ODA's budget of $250 million and associated policy development.

This review believes there should be a stream of contestable policy development and advice coming from an autonomous agency directly to a Minister of the Crown rather than have ODA policy blended into the overall priorities and mission of MFAT.

This is a fundamental issue of transparency.

Rotational System

The rotational staffing system is a necessity for MFAT as it moves staff to and from overseas postings. The problems this causes DEV have been described in detail in section 4.8.1. In summary the rotational system in DEV leads to poor accountability, weak institutional memory, frustration among stakeholders and an inadequate knowledge base. DEV management has limited influence over the system itself, and over specific appointments in particular.

Over the past decade senior staff in MFAT have recognised the problems that the rotational system causes to DEV. Since commencement of this review they have expressed renewed commitment to try and alter components of it that ensure minimum rotational time frames within DEV positions and allow DEV specialist positions the opportunity to accept postings in bilateral partner country posts. However, despite long-term recognition within MFAT of these problems, changes over the preceding ten-year period have been negligible.

If the proposed changes are eventually implemented, these efforts may reduce the worst impacts of the rotational system. However, given that there are over 100 (full time equivalent) DEV staff to 900 (full time equivalent) total staff in MFAT, the needs of Foreign Affairs and Trade will always drive the decision-making in staffing. The staffing policies of MFAT have been designed to meet core MFAT needs and capacity building. They have not been designed to meet the needs of a development assistance agency tasked to eliminate poverty.

An autonomous agency could have, and should have, its own rotational system, rewarding excellence in staff performance with overseas postings. The difference will be that it is aid professionals who will be rotated through the institution. Currently, people with little or no knowledge of development are being rotated into DEV, and after limited experience and exposure to development issues have been gained, they are rotated out again. They are most frequently replaced with people new to DEV and the cycle begins again.

5.3.2 Summary of These Key Points

This review concludes that there are fundamental reasons why ODA is not appropriately placed as a division within MFAT and that no amount of tinkering with the details of the rotational system can change that. The two agencies have distinctly different missions. When they operate together they muddy the transparency of outcomes and interfere with the changes of success of any one mission. Foreign Affairs requires quite different skills from ODA and a different organisational culture to operate from. Poverty reduction is not core business for MFAT and given the fundamental differences in missions it could never be made so. As a fundamental issue of transparency, ODA needs its own stream of contestable policy development and advice going directly to a minister.

A number of development agencies share these views and have autonomous ODA programmes. Britain, Australia, Canada and the USA have taken this approach. This review is strongly recommending that New Zealand adopt this model.

Some questions have been raised with the review team about whether such a system would suit NZODA. We address these below.

An Autonomous New Zealand Aid Agency Would be too Small to be Functional and Influential.

Based on current staffing levels, an autonomous aid agency would have approximately 110 (full time equivalent) staff and a budget of $250 million. This is not small by New Zealand standards. There are 12 New Zealand ministries and government departments smaller than this in terms of staff size. With a budget of $250 million, there would be 18 ministries and departments with budgets smaller than this.

What is more, we believe there is great potential for growth for an agency that can deliver quality aid effectively, efficiently, and in an accountable manner.

In terms of being influential, we believe that an autonomous ODA agency would have increased opportunity to be influential. It would have the incentive to brand itself and raise its profile. And through an increased opportunity of achieving excellence in aid delivery it has the potential to develop an international and national reputation as a leader in development assistance. In addition, under existing budget allocations, a new agency would have a significantly larger budget than Foreign Affairs and Trade so there is no reason to believe that it would be marginalised next to these portfolios.

It Would be too Costly to Establish an Autonomous Aid Agency in New Zealand.

There are two major potential cost implications of establishment of an autonomous agency, whether it remains linked to MFAT or not:

• Potential staff increases and/or redundancies, and

• Establishment of services, including information technology, personnel systems and financial management systems.

We are unaware of any basis for belief that there would necessarily be overall staffing increases related to establishment of an autonomous agency. Expensive seconded overseas based staffing could be replaced in part with local staff if an agency is not locked into the MFAT rotational system. Many other donors run field offices with as few as one expatriate staff member, supplemented by qualified and experienced locals. This could be substantially more cost effective and for reasons discussed in this report, more operationally sound.

Also, under the current structure, all DEV and NZODA staff in Wellington and overseas are MFAT staff. Under the rotational system, salaries travel with people and not positions. This can have significant cost implications, as this can inhibit cost effective staffing options.

Based on discussions with individuals well experienced in public sector reform, given opportunities for phasing, potential for staff cross-overs between the new agency and MFAT, and existing turnover rates, it would appear highly unlikely that there would be significant costs from redundancies, if any.

The second potential area of costs in setting up an autonomous agency is in the establishment of services, including information technology, personnel systems and financial management systems. The actual cost of these services, which can be purchased from other government departments, is not necessarily expensive and is dependent on the quality of the original cost-allocation systems. Many of these services are currently purchased by DEV from MFAT on a cost-recovery basis.

The review team was told that there is a potential for cost savings in the purchase of services, as DEV is currently a 'captured client' of MFAT. These services may be able to be provided in-house in an autonomous agency, or purchased in the market on a more competitive basis. Or, if cost-effective, they could possibly be contracted back to MFAT on a short to medium term basis. Also, costly linkages to the MFAT's secure information system both in Wellington and overseas

are not necessarily required for an aid agency. This point was made by AusAID staff who feel there is an unnecessary and significant cost of linkage to DFAT that does not bring measurable value added.

Current NZODA staffing costs at posts involve a complex cost sharing process that goes beyond rental and associated costs of office space. These arrangements are quite expensive. An autonomous agency would have more flexibility in negotiation of office alternatives overseas, and the associated costs.

ODA Needs to Remain Part of MFAT for Policy Coherence Reasons.

This argument states that policy coherence between aid and foreign affairs is in large part possible because DEV is part of the Ministry's overall operation, and Ministry senior management and staff are familiar with development work and vice versa.

The review team does not believe that being part of MFAT is a prerequisite for policy coherence. Many other ministries and departments in New Zealand need to ensure policy coherence with MFAT, most notably Defence, Immigration, Customs, Police, Health and Education. These all manage quite adequately to address policy coherency issues through high level meetings and other regular communications. There is an advantage of policy transparency and contestable policy development in such a system that currently does not benefit ODA in the same way.

In addition to these points the review team found that in practice there was not a lot of contact between DEV and the rest of MFAT. What contact there was some staff felt was a one way street. Potential impacts of ODA decisions on trade, commercial and/or political issues can be referred to the appropriate divisions within MFAT for consideration. However, some staff expressed frustration that this does not appear to work both ways - that trade, commercial and political options under consideration are not referred to DEV for any analysis of potential impacts on ODA delivery.

It is Impossible to Fully Separate Politics From Aid

This is true, but it does not follow that ODA should therefore be part of MFAT. It is not possible to separate politics from Defence and from Immigration either, but these government agencies are not required to be part of MFAT as a result.

Where there are over-riding political concerns that will impact on an aid programme (for example the Fiji coup, or the recent Solomon Islands civil disorder) then ministerial direction can stop, turn, or otherwise transform a bilateral aid programme managed by an autonomous agency. As an autonomous agency AusAID had no difficulty following political command over aid to Fiji in 2000. An autonomous agency would be well placed to provide contestable policy advice to its Minister in such a situation.

Other Countries With an ODA Programme Similar in Size to New Zealand Have Opted for the Current DEV/MFAT Model

Within DAC, Belgium, Ireland, Italy and Switzerland have similar model of agency as New Zealand currently does. The assumption is that these agencies have recognised that this organisational structure best suits smaller aid programmes.

We would argue that the issue is not the size of the agency (as we discuss above). The issue is more related to the way aid is understood. The design and delivery of aid has changed dramatically in the past five years. There has been a major shift to agencies mainstreaming a poverty mandate with the recognition that this is fundamental to achieving excellence in aid delivery. All major multilateral agencies and many bilateral agencies have made this shift. For bilateral agencies, this has often been preceded by a major review of their operations. Examination of the placement of ODA in foreign affairs is a logical and necessary extension of focusing an aid agency on one clear goal of poverty elimination. That is the real issue.

We could argue that the best comparison to NZODA is AusAID. AusAID is larger than NZODA but it is working in the environment of the Pacific and South-East Asia. It has a primary focus on poverty elimination. Australia is close to New Zealand politically, culturally, economically, and geographically. And it has an autonomous aid agency.

In the end, it matters less what other countries are doing. It matters more that within our operational context New Zealand makes the best possible decision for achieving excellence in ODA. What is the institutional structure that would best deliver such an outcome for this country, given the substantial changes that we believe NZODA needs to make?

MFAT Could Adopt Most of the Recommendations in this Review and Continue to Manage NZODA - There is no Need to Establish an Autonomous Agency

Senior staff within MFAT have already indicated that they could sympathetically consider many of the kinds of recommendations that this report makes including adopting one goal of poverty elimination, reducing the number of countries with which NZODA has bilateral relations, instigating a Multilateral Assessment Framework, setting up a more effective policy framework and so on. If MFAT could set out to implement these recommendations, why would a separate agency be necessary?

We believe that the problems we have identified with DEV run very deep. They are fundamentally structural and systemic in nature. They derive from the inherent conflicts of mission and culture discussed above. This report raises serious questions about whether MFAT's stewardship of NZODA has been accountable and effective. We believe that NZODA needs a clean start with a dedicated autonomous agency.

NZODA Could Never Find Enough Development Specialists to Staff an Autonomous Agency

MFAT says that it has been difficult to recruit for the few development specialist positions they have advertised. But these difficulties would not necessarily remain for an autonomous agency. An ODA agency dedicated to poverty elimination that had a career structure and proper incentives to staff would be considerably more attractive to development specialists.

In addition professional development programmes, training opportunities and a learning culture would support those rotational staff that might choose to move to an autonomous agency. An autonomous agency could also second talented staff from international development agencies, multilaterals, NGOs or other institutions.

MFAT Needs ODA Funds for its Constituency Building

If constituency building is thought to be effective in advancing New Zealand's interests (and there is no clear evidence to suggest that is the case) then Foreign Affairs could seek a small dedicated fund for that purpose. The Foreign Office in Britain has, for example, a tertiary scholarship programme specifically established for constituency building. Overseas posts could seek a Head of Mission funds for the same purpose. Trade could seek a dedicated fund for building business opportunities for New Zealand firms. The difference between such funds and the current system where ODA carries the burden for all these goals, is that expected outputs are explicit and objectives are transparent.

5.3.3 A Vision for NZAID

This report recommends that New Zealand's overseas development assistance be administered with the clear purpose of poverty elimination. Clarity of purpose is needed to achieve effectiveness, efficiency and accountability.

Clarity of purpose can only be achieved through the establishment of a new autonomous aid agency. We refer to the agency here as NZAID.

NZAID should be an organisation whose core expertise is in the delivery of development assistance for poverty elimination, and whose core staffing consists of specialist professionals in that field.

NZAID's Director General should be a person of vision experienced in organisational leadership whose performance is in part assessed on the success of mainstreaming the goal of poverty elimination throughout the organisation. The Director General should be accountable directly to a Minister of the Crown. NZAID should have its own separate vote (funding line) directly from the Government.

NZAID should appoint its own staff of the correct skills mix to manage a professional, talented, cutting-edge development agency that reflects the poverty eradication requirements of its partner countries. NZAID should be a knowledge-based and learning institution that engages in best practice in development assistance design and delivery. The agency should be structured in a way that ensures staff have the time and incentives to learn, train, and analyse.

NZAID should have a career system that rewards success in poverty elimination through career advancement and the option of field postings. New, less experienced recruits to the agency would work on either a sectoral or country programme basis supporting programme managers. There would be a career path to advance to positions where they have some budget control and then to positions of policy and strategy development. Secondments between other DAC aid programmes and larger NGO development programmes should be encouraged. Devolution of decision-making to the posts is part of this process.

A formal ministerially-led process should be established to ensure policy coherence with other key government agencies including Foreign Affairs and Trade, Defence, Police, Ministry of Pacific Island Affairs, and Immigration.

The agency should make best use of external development expertise that is available both within New Zealand and internationally. This includes the talents and experience of iwi Maori, NGOs, the consulting community, development academics, the New Zealand Pacific Island community, along with civil society and consultants within partner countries. Skilled members of these groups should be regularly consulted on issues of importance to NZAID such as the formulation of policy, country programme strategies, defining NZAID's comparative advantage, best practice in aid and evaluating development outcomes. A small group (three or four people) of independent experts could be tasked to advise the minister of progress against NZAID's objectives and on other relevant issues (in a similar manner to the current ACEAD).

NZAID should be charged to consider and implement the recommendations in this report.

5.3.4 Other Recommendations

Recommendation 2

The New Zealand Government should renew its commitment to Official Development Assistance, and build an ODA programme that seeks excellence in aid delivery.

New Zealand has an international obligation to provide development assistance and New Zealanders feel a strong moral imperative to do so. We will benefit from the outcomes of effective ODA and through that the achievement of a more peaceful, secure and prosperous world. The government should insist on an ODA programme that delivers defined, desired results of the highest standard.

Recommendation 3

NZAID should have one, unambiguous goal: the elimination of poverty

The current situation with multiple (unarticulated) goals muddies outcomes between development, foreign affairs and trade objectives. Each of these tasks is quite different, requiring different strategies, different kinds of partnership, different policy settings, different organisational cultures, and different skills.

Recommendation 4

NZAID should adopt the six International Development Targets as its own objectives

The IDTs represent unique international consensus around crucial development outcomes. New Zealand is required through its existing endorsement of the IDTs to give effect to them. For our core development partners in the Pacific, the IDTs would channel ODA into meeting basic education and health objectives in Melanesia, and core poverty reduction and environmental objectives for the whole region. This fits with the review's analysis of root causes of poverty (and as a consequence, security and stability issues) in the Pacific.

Recommendation 5

NZAID should conduct a complete overhaul of its policy framework and develop a strategic, accountable, focused framework based on international best practice in ODA.

Country based poverty analysis and country programme strategies should be developed as the basis for bilateral programme relationships.

This framework should support the goal of poverty elimination and should include a conceptual framework (clearly defining the nature of poverty, why it occurs and who it affects), measurable impact-oriented objectives, operational policy statements, priorities and a strategic plan. The revised framework should provide guidelines and direction for all staff, while also forming the basis for accountability to the public and other stakeholders. All components of the policy framework should be regularly reviewed.

Adoption of international best practice would see NZAID move quickly from a project basis to a sector approach to development assistance. Under good governance best practice, New Zealand would be fostering national capacity for country-led poverty reduction strategies that would define clear roles for donors. NZAID would provide leadership on as well as fully support donor cooperation for poverty reduction strategies, and rationalising reporting requirements.

Once NZAID has a proven track record in sector focused programming, efforts should be made to secure multi-year appropriations to minimise the pressures of annual funding cycles which are not conducive to strategic expenditure.

Recommendation 6

NZAID should retain a core focus on the South Pacific.

Poverty indicators in some Pacific Island countries are among the worst in the world. As well the smaller nations of the Pacific are among the most vulnerable in the world. New Zealand is expected by the international community to assist effectively in addressing these issues. We have a comparative advantage in working in ODA in the Pacific and can potentially make a measurable difference to poverty here. And it is in our strategic collective interests to help build a stable prosperous region for our neighbours.

Recommendation 7

NZAID should prepare a Pacific Regional Strategy focused on poverty elimination and the sustainability of aid.

ODA should be carefully targeted in the Pacific to ensure it addresses root causes of poverty, ensures the use of Pacific-centred approaches to development, meets International Development Indicators, is based on poverty assessments for each country, addresses issues of graduation, and provides opportunity to increase self-reliance for aid-dependent countries. The Pacific Regional Strategy for NZAID should articulate a vision for a poverty-free Pacific that is still rich with its cultural heritage and natural environment, and it should describe NZAID's role in helping to achieve that.

Recommendation 8

Constitutionally-derived payments to Niue, Cook Islands and Tokelau should not come from the ODA budget

Niue, the Cook Islands and Tokelau are entitled to direct financial support from New Zealand through their constitutional arrangements. They are payments as of right that should not be met through ODA. The relationship with these countries comprising New Zealand citizens should be managed through Foreign Affairs or another appropriate body. ODA could still be provided for specific poverty elimination needs within those countries but would need to meet the same criteria for ODA as all other bilateral countries.

Recommendation 9

NZAID should reduce the number of bilateral partners it currently has from 63 to around ten. It should adopt a Bilateral Assessment Framework to define eligibility for bilateral funding.

NZODA currently gives to far more countries than it can effectively and strategically manage. Most of these bilateral programmes should be phased out and a core number of partner countries selected using a Bilateral Assessment Framework that takes into consideration, in order of importance, factors of absolute poverty, effectiveness and comparative advantage. NZAID could still reach other countries of great need through multilateral and NGO funding windows.

Recommendation 10

All future education and training assistance, including scholarships, provided by NZAID should be placed in the context of country based poverty analysis and country programme strategies which holistically examine educational needs.

Future support for education and training should result from a country based poverty analysis, and should form part of a strategically designed country programme strategy. Foreign policy and commercial considerations should have no influence on educational assistance. Research has shown that provision of basic education assistance should be a major priority for ODA. Research has also shown that provision of in-country and regional training and education is more appropriate and cost effective than donor country based scholarships.

Recommendation 11

NZAID should have a Regional Institutions Assessment Framework and a Multilateral Assessment Framework.

These frameworks would define which regional and multilateral organisations NZAID should support and to what degree. They would provide formal assessment of the match between agency mandates and NZAID's, as well as assessments of organisational performance, cost effectiveness, outcomes and effective contribution to development assistance

Recommendation 12

NZAID should adopt a strategic approach to bilateral funding allocations

This should be based on poverty analyses, country programme strategies, good governance issues, absorptive capacity, numbers of other donors operating in that country and the level of co-operation between donors.

Recommendation 13

NZAID should mainstream human rights issues, along with gender and environment, throughout its operations.

Effective and sustainable poverty elimination requires empowerment of the poor, removing forms of discrimination, having free media and the right to an inclusive and fair electoral process.

Recommendation 14

NZAID should develop 'centres of excellence' in aid delivery that will define its comparative advantage.

It should develop a transparent, equitable system for the selection, use and evaluation of consultants that ensures quality of services.

A relatively small aid agency like New Zealand's cannot have on its staff the entire range of skills required to direct aid interventions across all sectors. Instead it should define its 'centres of excellence' - those fields that NZAID knows it can deliver in. The centres of excellence should be selected only after a thorough review of bilateral partner needs through a series of poverty analyses. This process will highlight core areas of need from which NZAID should select its core business. It should develop and draw in the appropriate skills and experience to its staff and consulting core. An over-arching area of deep institutional knowledge should be the Pacific - its development parameters, culture, environment and languages.

Both iwi Maori and New Zealand's Pacific Island community potentially form part of NZAID's comparative advantage and should be drawn into its policy development and ODA design and delivery.

The comparative advantage of NZAID and New Zealand as a country will not necessarily be the same.

Recommendation 15

NZAID should establish monitoring and evaluation systems that measure impact of development assistance.

The lessons learned from impact-based monitoring and evaluation should be operationalised within NZODA, and shared with partners, stakeholders and other donors.

Appendix A

Terms of Reference

New Zealand Overseas Development Aid Review

A review of New Zealand's aid policies and practice is timely. The last comprehensive evaluation of NZODA was carried out more than 10 years ago, although assessments on aspects of NZODA's work have occurred during that time. Since then the needs within the Pacific, where the bulk of New Zealand's aid is spent, has changed. The recent instability and difficulties facing governments in the Pacific has added urgency to the need to focus attention more closely on the way aid policies might address the causes of problems.

In April 2000 the OECD Development Assistance Committee peer review reported its findings on the NZODA. It concluded NZODA was a sound and well run programme, but pointed out a number of areas that required attention.

The Labour Alliance government has stated that it wished to review NZ aid policies especially as they relate to the South Pacific. The Government is also committed to increasing ODA as a percentage of GNP. This commitment behoves those responsible for spending the aid budget to ensure that it is targeted, spent effectively and has the desired impact.

Goal

The goal of the review will be to present a report to the Ministers that analyses and makes recommendations on the overall priorities, objectives, focus and institutional arrangements of ODA.

It should examine NZODA in light of how it can:

- best contribute to the elimination of poverty and building of capacity

- best assist in the development of just and equitable economic, social and environmental policies for present and future generations

- best address the root causes of problems facing Pacific Island states given New Zealand's close relationship with the region.

Focus

The Review should cover the following areas:

1. What should the objective/s of the aid programme be? In this context, examine NZODA's existing policy framework including its principles, policies and key strategies.

2. What factors are required for achieving success in aid delivery? How should this impact on the design and delivery of New Zealand's aid programme?

3. Do the current institutional arrangements for strategic aid design and delivery encourage a clear and effective focus on achieving the objectives?

4. What global distribution of aid funds, as between regions, countries and types of recipient, would best achieve the objectives? The following issues should be addressed:

    - What is the basis for New Zealand's current focus on the Pacific?

    - What are the current key issues and needs (including political, economic, constitutional, security and development) about the Pacific in which New Zealand's assistance is focussed? How should these issues influence the design and delivery of aid to the region?

- What balance between multilateral and bilateral funding best meets the objective/s of the aid programme?

5. What arrangements are required to best measure the performance of the aid programme at both the project level and in assessing long-term success?

Methodology

The Review will travel to a limited number of destinations in the Pacific and Australia with the aim of developing an understanding of the views of aid recipients and partners.

The Working Group will consult as widely as possible with interested individuals and groups within New Zealand.

It should also liaise closely with the Development Cooperation Division, review necessary documentation and seek the views of those working in the Ministry of Foreign Affairs and Trade.

It should provide updates on progress regularly to the Minister through the co-ordinator of the Review.

Appendix B

Root Causes of Poverty in the Pacific

1. Lack of Employment and income generation opportunities

Throughout the Pacific region, the semi-subsistence sector has been the social safety net for people. That sector is declining in its viability because of population growth, environmental degradation, and the desire of people for a better quality of life than a subsistence economy can support. Formal paid work occupies between 17 and 22% of the region's labour force, mostly in administration and service jobs.[61]

Unemployment is a particular problem for young people. There are currently 1.4 million young people in the Pacific region aged 15 and 24 years, representing 20% of the region's population. By the year 2010 this number will have increased by at least 300,000. These people are all going to need cash income. A study in 1996 in Solomon Islands showed that those seeking paid employment outnumbered available waged jobs by ten to one. Most of those will be young people. In Samoa young people are three times more likely to be unemployed than older workers.[62] Unemployment at these levels among young people fuels frustration and leads to serious social problems and conflict. In Solomon Islands the majority of the recruits to both sides of the recent armed ethnic conflict were young unemployed men who were not easily controlled by the political leaders of either side.

There is an urgent need to create more jobs. Formerly, employment was created through a greatly expanded public sector but with economic reform programmes underway in most countries, this is being cut well back. The capacity of the private sector to absorb more workers is limited as it is currently weak and stagnant in most Pacific Island countries.[63]

An imaginative approach needs to be taken to developing paid work for the huge numbers of people who seek it.

- A 'regular job' is unlikely to be the main source of livelihood in the region for a full generation. A pragmatic approach to employment is therefore to sustain and develop the semi-subsistence sector.

- The informal sector of entrepreneurs has growth prospects. It currently includes a variety of occupations and small-scale enterprises that typically involve simple organisational and production structures, require low level technology or skills. (Examples include selling handcraft, fish, bread, marine products and so on.) It is a sector currently unregistered and unrecorded in official statistics.[64]

Both sectors require support through:

- Rationalising government law and policy that control the growth of enterprises. (In Fiji there are 16 national and local government laws that together have more than 2,500 separate provisions regulating business activities.[65])

- Assisting their productivity and dynamism through specifically targeted training and capacity building including business advisory services (see below)

- Providing access to finance. (Around 80% of Pacific Island people do not have regular formal or non-formal banking services.[66])

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[61] UNDP 1999 'Pacific Human Development Report'
[62] UNDP 1999 'Pacific Human Development Report'
[63] UNDP 1999 'Pacific Human Development Report'
[64] Both examples drawn from UNDP 1999 'Pacific Human Development Report'
[65] UNDP 1999 'Pacific Human Development Report'
[66] UNDP 1999 'Pacific Human Development Report'

- Assisting with marketing and the development of niche products

- Within the formal education system, instilling an interest in, and skills for, creating private business opportunities

2. Poor quality education and lack of educational opportunity

Access to educational opportunities varies across the region. The Cook Islands, Niue, Samoa and Tonga have good access to primary education but much reduced access to secondary school education. Papua New Guinea and Solomon Islands have appalling primary school enrolment statistics (31% and 39% respectively). Secondary school enrolments are likewise very low.

Primary education is a basic human right that has been shown to have extensive development benefits, especially where emphasis is placed on the education of girl children. Knowledge is fundamental to breaking out of poverty at an individual level. Lack of education has been shown to contribute to unemployment, poverty and crime. Increasing primary school enrolment in Solomon Islands and Papua New Guinea must be a goal of development assistance in education. As stated by the Secretary for International Development in Britain, 'the overwhelming priority of securing universal primary education across the world is not just a basic human right for all children, but equally significantly it is the absolute precondition for progress in development and the reduction of poverty. 130 million children do not or cannot go to school, two thirds are girls. World Bank research has suggested that education of girls is the single most valuable development intervention a country can make'[67]

Secondarily, improving the quality and appropriateness of the education system is a high priority of the region, along with ensuring the continued financing of schools and teachers' salaries[68] The Pacific regional survey which identified this issue found there was a concern to ensure that education programmes were relevant both to national priorities and to people's need for knowledge, skills and livelihoods. Education must assist national economic growth, increased the efficiency of the public and private sectors, and resolve the growing mismatch between skills and livelihood opportunities. Current malfunctioning education systems are oriented to training students for urban jobs that are unavailable to the vast majority of people, particularly in Melanesia. It provides young people with a false sense of empowerment and a large number of dropouts and graduates with few useful skills[69] - socially, a very dangerous mix.

Added to this the regional survey revealed the importance of using the education system to build national cohesion and identity through the study of vernacular languages and cultural and political tolerance[70]. This is particularly important in Melanesia where the sense of nationhood is weak, contributing to the ethnic violence that troubles some countries.

The third area of focus for education should be in vocational training. Building on the recommendations above for a new focus on sustainable private-sector-oriented job creation, there is an acute shortage in the region of practical training in technical skills, business creation, and management skills. There are also no locally appropriate training programmes in sustainable land and reef management and conservation, a serious shortcoming for a sector that will remain the safety net and source of livelihood for a significant proportion of the next generation of Pacific Islanders.

In the field of tertiary education, there is still a need for the provision of tertiary education qualifications where these are closely targeted to specific development outcomes (teacher training, business administration, public law and policy, environmental management, cultural identity and nationhood development, for examples). Tertiary education assistance should be linked into sectoral aid programmes as part of an overall assistance package. Use of distance learning and regional institutions will help ensure training is locally relevant. Targeting the mid-career level for tertiary training may assist in ensuring selected individuals return to their home countries.

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[67] Short, Clare (1999) Speech to University of Nottingham 23 November
[68] World Bank, 2000 'Pacific Regional Strategy'
[69] UNDP 1999 'Pacific Human Development Report'
[70] UNDP 1999 'Pacific Human Development Report'

3.   Health

Like education, the health picture of the Pacific varies across countries. Solomons, Papua New Guinea and Vanuatu suffer from serious fundamental health indicators: low life expectancy, limited access to safe water and sanitation, high infant mortality rates and very high populations per doctor (10,811 people per doctor in Vanuatu)[71]. There is an upsurge of infectious and vector-borne diseases including malaria, diarrhoea and respiratory infections. HIV/AIDS is making steady inroads on the region and in Papua New Guinea levels have reached seriously worrying levels.

The same health indicators are improved for Polynesia and Micronesia (excepting Kiribati) but these nations still suffer from poor access to quality health care. There is also an upsurge in lifestyle diseases in these countries - hypertension, diabetes and heart disease. These result in increased mortality in the most economically productive years of life, with premature deaths often leaving families without their principal income earners that in turn leads to poverty[72]. As well, the increasing lack of access to adequate subsistence food production for many families is leading to pockets of malnutrition. In urban Samoa for example it is the third highest reason for hospital admissions for children.[73]

Addressing health concerns in a cost-effective, efficient and locally appropriate manner is difficult in the Pacific region. The smallness, isolation and fragmentation of communities, islands and nations create many problems for delivery of health services. These problems are compounded by structural weaknesses in the health systems of many Pacific countries.

Development assistance to the health sector needs to focus not just on directly enhancing health services but to support improvements in policy, planning and administrative capacity.[74] Sector-wide approaches are essential for effectively tackling health issues. These would draw together innovation in community health and education programmes, training for primary health care workers (for example, the training provided through the East Sepik Women's Council in Papua New Guinea to community health workers), and capacity building in planning and policy at the provincial and national level.

4.   Environmental issues

Environmental matters are of core importance to the Pacific region. It is essential that the environment is well managed on small islands as the impacts of poor environmental management are felt faster and are more devastating where there is no other land to retreat to. In the remote isolated island environments of the Pacific, ecosystems have evolved unique life forms that are frequently ill-adapted to the impact of humans and introduced plants and animals. Careless land use can result in environmental upheaval. And it is the environmental health of the region that so much of the human livelihood depends for subsistence farming and fishing, for access to clean water, for the economic benefits of fishing, forestry or tourism, and as the foundation for cultural history.

There are four major challenges to Pacific Island environmental health

Industrial-scale resource use: In the Melanesian countries, large-scale unsustainable logging continues to degrade environmental capital. Much progress has been made in the past three years in establishing better forestry policy and monitoring of resource use. However, the extensive forest reserves will continue to tempt short term exploitative resource use, particularly when governments are short of revenue. (This is currently the situation in Solomon Islands.) There is a need for improved understanding of forestry policy and law particularly at the provincial government and community level. More attention also needs to be paid to the establishment of conservation areas (that meet local development and cultural requirements) set aside from logging concessions.

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[71] UNDP 1999 'Pacific Human Development Report'
[72] UNDP 1999 'Pacific Human Development Report'
[73] UNDP 1999 'Pacific Human Development Report'
[74] AusAID "Pacific Islands Development Strategy, 1999 to 2001'

The planning, sustainable use and environmental impact use of other industrial-scale land use initiatives also need support. This includes the establishment of large-scale plantations, mining, and major fishing initiatives.

Landowner resource use: Regionally, around 80% of the land and much of the coastal marine areas are owned and managed by indigenous family groups. Increasingly intensive subsistence livelihoods are causing serious environmental degradation in many parts of the Pacific. This includes over-harvesting to the point of local extinction of indigenous birds, fish and shellfish

Urban pollution: Rapid urbanisation in the Pacific is causing a breakdown in systems of waste disposal, sanitation and clean water supplies. In places, urban-centred industrialisation is creating pollution of waterways, coastal areas and land. Honiara reports a dangerously contaminated ground water network.[75] Solutions lie in better policy, planning and law reform along with access to improved waste management methodology.

Pests and weeds In isolated island ecosystems introduced pests and weeds can play havoc with indigenous biodiversity and local economies, as New Zealand well knows. Biosecurity issues are already core problems throughout the region. Introduced predators are impacting upon unique wildlife on some islands. Introduced plant pathogens reduce or destroy the commercial viability of some crops (coffee rust in Papua New Guinea, melon fly in Solomon Islands, taro blight in Samoa and so on[76]). Countries need to improve their border control to prevent the arrival of new pests, diseases and weeds. They also need to formulate cost-effective methods of eliminating or controlling pests and weeds where they are causing significant biodiversity and economic problems.

5. Good governance and policy issues

Good governance along with sound and enabling policy settings has been identified as critical to effective development. Within Pacific countries a number of governance issues are apparent. The ADB has identified lack of accountability, transparency, and predictability in the formulation and implementation of policy, poor quality of public administration, including irregular procurement and employment practices along with some corruption as being issues in the region.[77] Many countries have built large and inefficient public sectors.

Roots of good governance problems can go much deeper than these issues though, to the introduction of imposed colonial models and the displacement of traditional processes and approaches, including those which had potential to meet contemporary international expectations.

Some of the manifestations of good governance problems have been recognised by Pacific governments and some (Tonga, Samoa, Vanuatu) are moving determinedly towards reform. The importance of effective governance has been recognised by Pacific Island leaders in various national and regional meetings, including the 1994 Forum Meeting of Heads of Governments and the 1997 and 1998 Forum Economic Ministers Meetings. Pacific Island governments are developing a shared policy agenda for change in areas including government accountability, environmental policy, trade and investment policy, government involvement in business enterprises and private sector development.[78]

Development assistance needs to track these developments and their effective implementation at the national level if it is to result in sustainable development outcomes. There are a number of paths to fostering good governance. AusAID has an incentive-based Policy and Management Reform Fund with which it rewards good governance performance across the region. Development programmes generally need to be fully aware of the governance setting in which they are implemented and be prepared to pull out of working in government settings where poor governance is inhibiting good development outcomes.

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[75] UNDP 1999 'Pacific Human Development Report'

[76] UNDP 1999 'Pacific Human Development Report'

[77] Asian Development Bank, 2000 'A Pacific Strategy for the New Millennium' Office of Pacific Operations

[78] World Bank, 2000 'Pacific Regional Strategy'

Civil society is a crucial working partner to addressing the good governance issue. Not only do civil society routes allow donors to bypass ineffectual government agencies where required, but they can be used to stimulate public debate about governance issues. Accordingly development assistance programmes should promote the 'close working relationship of government agendas, NGOs, churches, traditional and indigenous institutions, community-based organisations, donors and other concerned entities towards the formulation, implementation and evaluation of human development policies, plans and programmes' (The Suva Declaration on Sustainable Human Development in the Pacific[79]).

There is a need for effective capacity building interventions to strengthen the ability of civil society to effectively engage with governments, donors and other civil society players and their own constituencies. There is also an important role for enabling legal and regulatory frameworks that recognise both introduced and customary law.

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[79] UNDP 1999 'Pacific Human Development Report'

Appendix C

NZODA, Consultants and the Contracting Process

Systems, Transparency, Quality Control

The Investing in a Common Future document (NZODA's policy framework) states that:

'New Zealand (and Australian) goods and services are used where these are cost effective and compatible with the principal purpose of NZODA. Quality in the delivery of NZODA is pursued through selection of goods and services on the basis of competitive bidding.'

Within this context, NZODA provides untied grant aid and technical assistance. The vast majority of contractors are New Zealand based individuals or firms, followed by a small percentage of Australian firms. A small handful of local consultants are engaged in partner countries, principally to work on appraisal, monitoring and evaluation of NZODA activities.

DEV supplements its own resources and expertise through the use of consultants. NZODA contracts out delivery of most ODA through firms and individual service providers. The value and impact of NZODA is directly related to the delivery of quality services. Contractor performance is a key aspect of project sustainability as well. How does NZODA identify, select, and evaluate high quality service providers?

Identification

There are three main methods of consultant identification. One is the Consultants Register, which is a database of firms and individuals who have submitted a registration form and are considered by DEV to have knowledge, skills or experience relevant to NZODA. Inclusion in the Register is open to all consultants who are citizens or permanent residents of NZ or Australia. The second is a recently established Period Contract Register listing consultants currently holding period contracts with DEV. These contractors have been selected on a competitive basis to provide expertise in a specified discipline on an as-required basis. The third is the MFAT web site, which periodically lists tender opportunities (not all contracts are listed on the web), occasionally supplemented by newspaper advertisements.

According to the Contracts Management Unit, the database of registered consultants is not user friendly, and 'is difficult to get meaningful information out of'. DPMs agree, with many indicating they bypass the database system.

Selection

The NZODA Guidelines for Consultants outlines the selection process. For assignments of total fee value greater than $30,000 a competitive two step selection process is generally undertaken, including shortlisting from EOIs and assessment of full proposals. For assignments between $10,000-$30,000 a shortened process is usually followed involving shortlisting from a list generated from the Register and consultants known relevant DEV staff. Detailed proposals are sought from those shortlisted. In some cases a full two step approach may be used. For assignments under $10,000, the Ministry may utilise a period contractor or invite selected consultants to submit a proposal. Proposals are assessed on their technical merits by a panel chaired by the relevant DPM and including a representative of the Contracts Management Unit and DEAP. An assessment of detailed proposals may be sought from the partner government, and for larger projects involving MSCs partner government representation may be included on the panel. A two-envelope system whereby budgets and fee rates are submitted separately is utilised. Proposal assessment and ranking on technical merits is followed by fee and budget negotiation based on a market rate determination by Contracts Management Unit.

<u>Performance Assessment</u>

The review team was told that there is no formal assessment of consultant performance at present. No formal review process is undertaken, and provision of feedback to consultants on performance is not required, nor generally provided.

Of all partners interviewed in four countries, none could recall having been invited to participate on either MSC or major consultancy selection panels, despite this being NZODA policy. Many said they had only seen the TOR for tendering, and had not been consulted further. Others had seen proposals, but were unsure if their input had been considered. One partner reviewed bids and stated their preferred choice for MSC, yet this was not agreed with. The partner government was not happy with the NZODA decision and provided specific reasons why they did not want this firm, yet 'this was ignored' and the MSC was appointed. Contracts Management Unit could only identify three cases where representatives of partner governments have been included in panel assessments for MSC selection.

Stakeholders expressed considerable concern regarding the current contracting process under the Contracts Management Unit. Consultants also questioned whether contracting guidelines are adhered to by Contracts Management Unit. It was generally felt that the process lacked equity and transparency - that there was not a level playing field. There is a strong perception that not all contracts are tendered, and that there are 'favoured firms and individual's' that have easier access to bidding and/or contracts. Based on Contracts Management Unit figures supplied for the last financial year, NZODA expenditure on consultancy contracts was approximately $28.6m, or 13% of ODA volume. The value of contracts has ranged over the past five years from around 17% to 12 % of total ODA expenditure. Despite established and detailed open tender requirements, according to the most recent Contracts Management Unit records, of a total of 209 contracts over an 18 month period only 25% were tendered. Contracts with fee value between $30,000-$60,000 had a 27% tender rate, and contracts over $60,000 had a 44% tender rate. The remainder of contracts are provided on a non-competitive basis. The review team was told that are no specific, defined criteria for determination of which contracts can be let without competitive tendering, other than agreement from a Deputy Director or the Director.

Stakeholder comment covered a range of concerns regarding contract management. They indicated that Contracts Management Unit does not routinely provide scoresheets or details to unsuccessful bidders. There are no criteria that define the terms under which interviews are required of tenderers. Feedback on performance is generally not provided unless you ask. There is no assessment of or records kept on contractor performance which might inform future decision making. One consultant stated that 'DEV is hopeless at assessment and feedback to consultants'. Consultants expressed the view that DEV pays below normal fee rates in NZ, and well below what other donors pay. There is no clear system for establishment of fee rates other than the Contracts Management Unit definition of 'market rate'. Non transparent, drawn out, inconsistent and costly negotiation processes were seen to undermine productive relationships between DEV and contractors. One submission stated that 'highly complex bidding and selection processes are used to ensure objectivity, but ironically these are not transparent. Negotiations over contract price are typically very drawn out and acrimonious, and tend to bog down in minor details. Arguments occur over what things cost, rather than the services being provided... We can understand the need for accountability, but this should not be at the expense of trust and should be for outputs, or more ideally, outcomes delivered.' An internal 1997 DEV study on the relationship between the consulting community and DEV found a wide range of similar views.

There is a perception that many consultants and firms are increasingly moving away from bidding for NZODA work due to uncompetitive fee rates and lack of equity and transparency in the tendering process. One submission stated that 'NZ has a number of internationally recognised consulting specialists who are rarely involved in the NZODA programme. The expertise of these people is appreciated by agencies such as IFAD, UNDP, ADB and AusAID that utilise them on a regular basis. The reason that MFAT does not contract these people is largely based on fee rate.' This raises questions as to whether the best people for consultancies are being encouraged or discouraged to work for NZODA, and whether the resulting pool of qualified service

providers is large enough. Some contractors commented that they had dropped out of negotiations with Contracts Management Unit or DPMs due to a what was perceived as a drawn out and 'inappropriate' negotiation process. Others said they rarely if ever tender for NZODA contracts, as they considered it was not worth the hassles. The 1997 DEV study also raises these concerns.It appears, however, that sufficient steps have not been taken since 1997 to adequately address them.

There was strong support expressed for systematic and transparent consultant performance assessment and provision of feedback. Consultants felt this should be a dual process whereby contractors can also provide constructive feedback to DEV on its performance in order to maximise learning opportunities. Many donors, including the ADB and World Bank, have performance assessment systems. This view was echoed by one consultant, who said, 'it is in everyone's interest to have consultant performance assessed.'

The AusAID system of selection for major contracts was suggested by some contractors as an alternative model. A Contracts Management Unit representative chairs the committee but has no vote (not seen as a relevant party - the value added they bring is considered procedural). Panel members include an AusAID sectoral technical adviser, 3 independent technical specialists, a partner government representative, and a DPM. This process is seen to couple independent knowledge and expertise with AusAID experience and accountability. A two envelope system is utilised whereby technical assessment scores generally account for 80 % weighting, and fee rates/budgets for 20%. The highest scoring bids (usually 3-5 bids) based on technical assessment and their budgets are then calculated based on the established weighting formula. The highest total score is awarded the contract. There is no negotiation of fee rates beyond this assessment, and other budget matters are discussed as necessary. AusAID management and staff told the review team that based on their experience, the system is considered transparent, fair and market driven.

Appendix D

Meetings and Interviews

Meetings were held with staff on an individual basis to facilitate frank discussion and to ensure confidentiality. It should be noted that efforts were made to meet with as many DEV staff as was possible given time constraints. Some staff were overseas or otherwise unavailable during the interview process. Several desks were also vacant due to staff turnover.

MFAT Staff

Secretary of Foreign Affairs and Trade
Deputy Director - Recruitment and Placement, Personnel
Deputy Director - Remuneration and Employee Relations, Personnel
Deputy Director - South Pacific Division
Deputy Secretary - Corporate Services
Deputy Secretary - Development Cooperation and South Pacific
Director - Environment Division
Director - Finance Division
Director - Personnel Division
Director - South Pacific Division
Director - United Nations and Commonwealth Division

High Commissioners/Ambassadors

Australia (Deputy High Commissioner)
Cook Islands
Fiji
Kiribati
New Caledonia (Consul-General)
Niue
PNG
Samoa
Solomon Islands
Tonga
Vanuatu
Viet Nam

Local NZODA Staff

Bilateral Programme Officer, Fiji
Coordinator, National Council of Women, Fiji
Post Aid Officer, NZ Embassy, Bangkok

DEV STAFF

Management

Director(s) - DEV
Deputy Director - DP1, DEV
Deputy Director - DP2, DEV
Deputy Director - DP3, DEV

Deputy Director - DP4, DEV
Deputy Director - DISC, DEV
Deputy Director - DEAP, DEV

Development Programme Managers (DPMs)

Bougainville
Good Governance, EMDR
Indonesia and Americas
Manager Asia Development Assistance Facility
Manager PIIDs
Multilateral Environment, South Pacific Regional Environment
Multilateral, IFIs
NGO Programme Manager
Niue and Tokelau
OECD-DAC, Multilateral - UN, Commonwealth
Pacific Regional Health, Education, Law and Justice
Papua New Guinea, French Polynesia
Samoa
Solomon Islands
Tonga
Vanuatu, Mirconesia and Kiribati
Voluntary Agencies Support, Acting Good Governance, EMDR

DEAP

Economist
Education Specialist
Environment Specialist
International Development Specialist (AusAID Secondee)
International Development Specialist (Good Governance)
International Development Specialist (Health)
Specialist Adviser, Gender and Development

DISC

Finance Manager, Contracts Management Unit
FMIS/Statistics Officer
Manager ISU
Manager, Contracts Management Unit
Manager, Scholarship Management Unit

MFAT Workshop on South Pacific Strategy

List of Invitees

Annette Lees - NZODA Review Team
David Shearer - OMFAT
John Henderson - Canterbury University
Joseph Grossman - NZODA Review Team
Kabini Sanga - University of Victoria
Paul Sinclair - NZDF
Rod Alley - University of Victoria

Sai Lealea - Ministry of Pacific Island Affairs
Steve Long - NZ Police HQ
Terence O'Brien - Retired Diplomat, Consultant
Teresia Teaiwa - University of Victoria

MFAT Staff Attending

Gerald McGhie - South Pacific Division
Gordon Shroff - Deputy Secretary
Ian Hill - Director, Human Rights Division
Ian Kennedy - Director, Information and Public Affairs
Jan Henderson - Deputy Director, South Pacific Division
John Larkindale - Director, South Pacific Division
Rachel Fry - Deputy Director, DEV
Rosemary Banks - Director, DEV
Vince McBride - Deputy Director, South Pacific Division

Asian Development Bank - Long Term Strategic Framework Consultations

List of Attendees

Emma Ferguson, Development and Economic Policy Division, Forum Secretariat
Niko Bulai, Deputy Permanent Secretary, Ministry of Finance, Fiji
Luisia Sefo - Deputy Financial Secretary, Treasury Dept, Samoa
Carl Hacker - Director, International ODA, Ministry of Finance, Marshall Islands
Felicia Dobunada - Director General, Dept of Prime Minister and National Economic Council, PNG
Kinza Clodumar - Minister of Industry and Economic Development, Nauru

Ross Muir - AusAID
Michele Stone - Australian Treasury Department
Joseph Grossman - NZODA Review Team
Gordon Shroff - Deputy Secretary, MFAT
Peter Martin - Manager, International Economics, The Treasury
Paul Dickie - Consultant, ADB Review, Victoria University
Rebekah Riley - DPM, DEV

Shoji Nishimoto - Director, Strategy and Policy Department, ADB
John Austin - NZ Alternate Director, ADB Board of Directors
Cedric Saldanha - Manager, Pacific Operations Division, ADB
Christina Duenas - Strategy, Planning and Policy Coordination Division, ADB

Team Visit to Australia

AusAID Staff

Acting Director General, Deputy Director General, Asia & Corporate
Adviser, Gender, Health, Education
Assistant Director General
Assistant Director General, Contract Services Group
Assistant Director General, East Asia Branch
Assistant Director General, Executive Branch
Assistant Director General, International Programmes
Assistant Director General, Office of Program Review and Evaluation,
Assistant Director General, PNG

Associate Director, GHEG
Country Program Manager, Pacific Regional Section
Deputy Director General, Pacific, Humanitarian and International Division
Deputy Director General, Program Quality Group
Director Vietnam Program
Director, Finance Section
Director, Multilateral Agencies and International Health
Director, Pacific Bilateral Section
Director, Philippines
Director, Public Affairs and Media
Director, STAFF
Manager - Budget Unit
Manager United Nations Program
Manager, Governance
Manager, Quality Assurance Group
Multilaterals Officer
PNG Directors - Roundtable discussion
Program Officer, Mekong Branch
Program Officer, Samoa
Program Officer, Scholarship Management Section
Second Secretary, Hanoi

General Interviews (in-person or telephone)

Trevor Kanaley - Former Director General, AusAID (retired)
Professor Ron Duncan - Director, Asia Pacific School of Economics and Management,
Australian National University
David Hegarty - Convenor, State, Society and Governance in Melanesia Project, Research
School of Pacific and Asian Studies, Australian National University
Gaye Hart - Member Simons Review Team, Director Hunter Institute of Technology
Jeremy Hobbs - Executive Director, Community Aid Abroad
Janet Hunt - Director, Australian Council for Overseas Aid

Stakeholders

Alastair Wilkinson - Former MFAT/DEV Social Impact Specialist, DEAP
Aurora Colantes - National Economic and Development Authority, Manila, Philippines
Barbara Williams - CITEC
Cedric Saldahana - Manager Office of Pacific Operations, Asian Development Bank
Cymbeline Martinez - Dept of Social Welfare and Development, Manila, Philippines
Graham Kelly - Chair, Foreign Affairs and Defence Select Committee
Guy Salmon - CEO, Ecological Foundation
Jim Rose - Chief Analyst International Economics, The Treasury
John Henderson - Head of Political Science Department, University of Canterbury
John Wilson - Director External and Government, The Treasury
Kevin Clark - Member, ACEAD, Former MFAT/DEV Deputy Director, DEAP
Marion Quinn - Consultant, Former MFAT/DEV GAD specialist, DEAP
Maru Apera - ODA Programme Officer, NZHC, Fiji
Maurice Apted - UNICEF/UNAIDs
Nguyen Yen Hai - NZ Desk Officer, Ministry of Planning, Vietnam
Pat Webster - Council for International Development
Paul Dickie - ADB Review Consultant

Perya Short - Sustainable Project Management, Former MFAT Diplomat
Peter Cooper - Advanced Dynamics
Ministry of Pacific Island Affairs, Chief Advisor
Peter Martin - Manager International Economics, The Treasury
Peter Pim - NZ Desk Officer, Dept of National Planning and Monitoring, PNG
Peter Swain - Manager Pacific Programme, Volunteer Service Abroad
Phil Twyford - Manager, Advocacy Office Oxfam International
Rod Alley - University of Victoria
Ross Graham - Sector Manager, New Zealand Trade Development Board
Simon Hay - Analyst International Economics, The Treasury
Terrence O'Brian - Academic, Former Diplomat and Ambassador to the UN

Samoa

NZHC Staff

High Commissioner
Administration Officer
Attache
Deputy High Commissioner
ODA Scholarships Officer
Personal Assistant to NZHC, ODA Head Of Mission Fund Assistance
Second Secretary

Partners and Stakeholders

Acting Director General of Health
Acting Director, SPREP
Coordinator Waste Management, SPREP
Deputy Financial Secretary, Treasury
Director of Education
Director of Health, Resource, Planning, Information and Research Development
Director, KVA Associates
Director, Samoa Hotel Association
Director, Samoa Visitors Association
Director, Small Business Enterprise Centre
Director, UNESCO Apia Office
Director, WHO
Economic Division Officer, Ministry of Foreign Affairs
Economic Division Officer, Ministry of Foreign Affairs
Executive and Board Members - Mapusaga O Aiga
Executive Director, Women in Business Foundation
Executive Office Management, SPREP
Finance Manager, SPREP
Financial Secretary, Treasury Department
Officer in Charge, UNDP
Head of Mission, AusAID Samoa
Managing Director, Wilex Cocoa and Coconut Products Ltd
Minister of Education
Office Manager, Small Business Enterprise Centre
Owners - Apia Fish Exporters Ltd
President, Samoa Chamber of Commerce

President, SUNGO
Secretary of Foreign Affairs
Secretary of Justice

Vanuatu

<u>NZHC Staff</u>

High Commissioner
Deputy High Commissioner
Second Secretary

<u>Partners and Stakeholders</u>

Acting Director, Department of Economic and Social Development
Acting Director, Department of Strategic Management
Acting High Commissioner, British High Commission
Aid Management Adviser, Department of Economic and Social Development
Aid Management Adviser, Department of Economic and Social Development
Asian Development Bank Adviser, Department of Strategic Management
Charge de Mission, Groupe Agence Francaise de Development
CRP Coordinator, Department of Strategic Management
Director General of Agriculture, Forestry and Fisheries
Director of Mines and Water Resources
Director, Department of Strategic Management
Director, Foundation for Peoples of the South Pacific
Director, Vanuatu National Council of Women
Director, Won Smol Bag Theatre
Director, Won Smol Bag Theatre
Former Minister of Finance
Former Minister of Foreign Affairs
General Manager, Chamber of Commerce and Industry, Vanuatu
Head, Rural Water Supply Section
MSC, Rural Skills Training Programme
National Coordinator, Rural Skills Training Programme
Officer, Department of Strategic Management
Ombudsman
Principal Scholarships Officer, Ministry of Education
Programme Officer - Foundation for Peoples of the South Pacific
Programme Officer, Rural Skills Training Programme Officer
Programme Support Officer, British Department for International Development
Regional Representative, South Pacific Regional Mission, Asian Development Bank
Senior Curriculum Officer, Curriculum Development Centre
Social Impact Adviser, Department of Strategic Management
Training Coordinator, Rural Skills Training Programme

Fiji

<u>NZHC Staff</u>

High Commissioner
First Secretary
First Secretary (recently arrived)
Second Secretary

<u>Multilateral Partners</u>

Assistant Resident Representative, UNDP (and UNIFEM Pacific oversight)
Business Manager, Fiji School of Medicine
Director, Corporate Services Division, Forum Secretariat
Director, South Pacific Bureau for Educational Assessment (SPBEA)
Project Coordinator, Pacific Financial Technical Assistance Centre (PFTAC)
Social Policies Advisor, Forum Secretariat
UNDP Representative

* Efforts were made to organise appointments with the University of the South Pacific and with the South Pacific Geoscience Commission (SOPAC), but relevant staff were unfortunately not available.

Tonga

<u>NZHC Staff</u>

High Commissioner
Deputy High Commissioner
NZODA Development Assistance Officer

<u>Partners and Stakeholders</u>

Australian High Commissioner
Credit Manager, Tonga Development Bank
EU Representative
Managing Director, Tonga Development Bank
Noble's Representative
People's Representative
People's Representative
People's Representative, Tongatapu
People's Representative, Tongatapu
Speaker of the House

New Caledonia

<u>NZ Consulate Staff</u>

Consul-General
Vice Consul

<u>Partners and Stakeholders</u>

Director General, South Pacific Commission
President of Northern Province Assembly
Manager, Planning Unit, South Pacific Commission

Niue

<u>NZHC Staff</u>

High Commissioner
Deputy High Commissioner

Ministerial Visit to New Caledonia, Vanuatu, Tonga and Niue

<u>Official Delegation</u>

Phil Goff - Minister of Foreign Affairs and Trade
Sandra Lee - Minister of Conservation
Donna Huata-Awatere - MP
Dr Paul Hutchinson - MP
Winnie Luamanuvao Laban - MP
Keith Locke - MP
Winston Peters - MP
Dover Samuels - MP
Georgina Te Heuheu - MP

Chris Te'o - Programme Officer, Family Planning and International Development
Cmdr Mile Millar - Defence Advisor, Pacific
Dalwyn Reisma - TVNZ
David Maka - Pacific Island Community Representative
Don Wiseman - RNZ International
Ewart Barnsley - TVNZ
Fuimaono Les McCarthy - CEO, Ministry of Pacific Island Affairs
Hilary Smith - Volunteer Service Abroad
John Henderson - Canterbury University
Joseph Grossman - NZODA Review Team Member
Louisa Lavakula - Pacific Island Community Representative
Marama Papua - Radio 531
Nick Venter - Press Gallery, Dominion Newspaper
Parmesh Chand - South Pacific Trade Commissioner
Pat Webster - Council for International Development
Peter Dench - Adviser, NZ Reserve Bank
Peter Noble - Director, International Defence Relations
Sue Eden - NZPA
Tino Pereira - Pacific Island Community Representative
Tony McCall - RNZ Navy
Tracey Roe - TVNZ

<u>MFAT and Ministerial Staff</u>

John Larkindale - Director Pacific Division, MFAT
Charlotte Beaglehole - Private Secretary, OMFAT
Richard Kay - Pacific Division, MFAT
David Shearer - Executive Assistant, OMFAT
Barry Glover - PIIDs Manager, DEV

Appendix E

Public Consultation Meetings

Wellington 13/14 November

Abel, Matthew, Consultant, Auckland
Bamford, David, Tourism Resource Consultants
Bell, Brian, Nimmo Bell
Brown, Jeff, UNICEF
Butt, Terry, Volunteer Service Abroad
Calvert, Philip, Victoria University of Wellington
Chu, Professor Alex, International Liaison and Special Projects, Massey University
Clark, Mrs, Soroptomist International
Davidson, Salli, FPAID
Day, Douglas, Human Resources International
Deane, Cathy, Project Transactions
Elliott, John, Pacific Paramedical Training Centre
Feutze, Janice, Capital Development Agency
Frazer, Major Carolyn, Salvation Army
Gupta, Suvira, Capital Development Agency
Harland, Bryce, NZ Institute of International Affairs
Hendy, Diane, Consultant
Hewitt, Philip, Development Resource Centre
Kelly, Cath, Vietnam Women's Union Project
Kindon, Sara, Victoria University of Wellington
Mackenzie, Ron, Pacific Paramedical Training Centre
McEvedy, Rosanna, Project Tranzactions
McGregor, Hone, Polytechs International NZ
Menzies, Malcolm, Victoria link Ltd
Neave, Margaret, Vietnam, Cambodia Laos Support Group
Overton, Professor John, Massey University
Reilly, Vilma, Soroptomists International
Rooney, Linda, Opus International Consultant
Scorer, Terri-Ann, Oxfam NZ
Short, Perya, Consultant
Shukla, Hasmeeta,
Skinnon, Packham, CITEC
Story, Donovan, Massey University
Swain, Dr Peter, Volunteer Service Abroad
Thorp, Major Peter, Salvation Army
Turnbull, Beverley, Save the Children Fund
Virtue, Patricia, Auckland/Kampala Partnership
Watters, Ray
Webster, Pat, Council for International Development
Williams, Barbara, CITEC
Wilson, Stacey, Victoria Link Ltd
Wilson, Sarah, Conservation International

Auckland - 23/24 November

Abel, Matthew, Consultant
Andrews, George, Ind Film and TV Producer
Bell, Alan, World Vision
Coxon, Dr Eve, School of Education
Duff, Isabelle, Leprosy Mission
Erickson, Neil, International Global Change Institute, Waikato University
Felgate, Matthew, Solomon Islands Wantok Association
Fletcher, Alan, ADRA
Grant, Dr Judith, Judith Grant Communications Ltd
Harre, Alan, Ind Consultant
Henriques, Dr Paul, AUT
Leonardo, John, Independent Consultant
Lythe, Brian, International Student Support officer Auckland University
Perry, Holly, Water for Survival
Shukla, Hasmeeta, Auckland University of Technology (AUT)
Stewart,John, Pacific Island Development Projects
Tait, Alistair, Meritec
Tollestrup, Steve, Director, TEAR Fund
Vodanovich, Ivanica, Centre for Peace Studies
Walsh, Tim, Catholic Overseas Volunteer Service
Watson, Dr Arnold, Geothermal Institute Auckland University
Wood, Joan, Amnesty International

Christchurch 30th November

Arnold, Simon, Landcare Research NZ Ltd
Cook, Lynley, Crown Public Health
Cottrell, Vi, Trade Aid
Frame, Dr Bob, Landcare Research NZ Ltd
Frazer, Major Carolyn, Salvation Army
Hawkey, Jill, Christian World Service
Heckert, Karen, University of Otago
Mackie, Elizabeth, Christian World Service
McCullough, Paul Landcare Research NZ Ltd
McCullough, Rebekah, Consultant
McLeod, John, NZ Customs Service
Munro, JB, IHC & Inclusion International
Ormandy, Geoff, Lincoln International
Overton, John, School of Global Studies, Massey University
Parr, Alison, Trade Aid
Pelvin, Denise, Lincoln International
Pickering, John, International Student Advisor, University of Canterbury
Rhodes, Virginia, Manager, Student Services, Lincoln University
Tsehaye, Addis, Grassroots Foundation

Appendix F

Public Submissions

The following individuals and organisations contributed submissions to the NZODA Review. Copies of submissions are held by the Office of the Associate Minister of Foreign Affairs and Trade.

Bilateral PIC Partners

Department of National Planning, PNG
Minister for National Planning and Human Resources Development, Solomon Islands
Ministry of Foreign Affairs, Kingdom of Tonga
Premier, Niue

NZ Ministry of Foreign Affairs and Trade Posts

Geneva
Hanoi
London
New York
Niue
Cook Islands
Samoa

Partners

UNESCO Office for the Pacific, Apia

Individuals

Abel, Matthew
Chu, Professor Alex
Giddens, E Peter
Harre, Alan
Moore, Dr John
Rogerson, Thomas
Howell, Dr Robert
Sinclair, Paul
Swain, Dr Peter
Vodanovich, Ivanica
Watters, Ray
Wilson, Sarah J

Organisations, Firms and Government Departments

AC Consulting Group Ltd
Advisory Committee on External Aid and Development (ACEAD)
Amnesty International New Zealand
Auckland University of Technology
Cambodia Trust
Centre for Strategic Studies
Christchurch City Council
Christian World Service

CITEC Training Services
Consulting New Zealand Incorporated
Council for International Development
Council for Mission and Ecumenical Co-operation
Development Resource Centre
Fraser Thomas
Fred Hallows Foundation
Geothermal Institute, University of Auckland
Hort Research
Human Rights Commission
International Global Change Institute, University of Waikato
International Students Support Office, University of Auckland
Lincoln International
Massey University Institute of Development Studies
Matjas Thomas Ltd
Ministry of Women's Affairs
Nelson College for Boys
New Zealand Customs Service
New Zealand Federation of University Women
New Zealand Institute of International Affairs
Nimmo Bell
Opus International Consultants
Oxfam New Zealand
Pacific Paramedical Training Centre
Peace Council of Aotearoa New Zealand Inc.
PF Olsen and Company
Project Tranzactions Ltd
Red R, Register of Engineers for Disaster Relief NZ
Rural Women NZ
Save the Children New Zealand
Solomon Islands Wantok Association
Terralink Ltd
The Treasury
Tourism Resource Consultants
Trade Aid
Inclusion International
UNANZ
UNICEF New Zealand
UNIFEM New Zealand
UNITEC
University of Otago
Victoria Link
Vietnam, Cambodia and Laos Support Network
Volunteer Ophthalmic Services Overseas (VOSO)
Volunteer Service Abroad (VSA)
Water for Survival
Women's Fellowship, Methodist Church of NZ
World Vision New Zealand

Appendix G

References

NZODA/MFAT Publications, Commissioned Reports and Documents

A Strategic Approach to International Development Training - Phase One: Best Practice in Development, Algate Enterprises in Association with the Development Resource Centre, 2000

Annual Report 1998-1999 Ministry of Foreign Affairs and Trade

Annual Review, NZODA 1999

Asia Development Assistance Facility Desk Review Report 2000

Asia Development Assistance Facility, Review, 1996

Asia Development Assistance Facility Guidelines 1997 and 2000

Audit Review of DEAP's Role in Evaluation and Review Activities, Audit Review Division 1998

Commonwealth Good Government Programme Project Table and International Good Government Programme Project Table 1998

DAC Development Cooperation Review New Zealand, OECD 2000

Development Business (various issues)

Development Cooperation (multiple issues)

Development Cooperation Division 1999/2000 Operational Plan

Development Cooperation Division 2000/2001 Operational Plan

Development Cooperation Division, Procedures for NZODA Management, 1995

Draft Samoa Strategy Study, 1999,

Evaluation of the Voluntary Agency Support Scheme (VASS), 1998

Final Report of Review of the New Zealand/Asian Development Bank Relationship, 2000

Foreign Affairs, Defence and Trade Committee: Inquiry on the Role of Human Rights in Foreign Policy, Submission by the Ministry of Foreign Affairs and Trade 2000

Good Governance - Investing in a Common Future, A Guide to the Good Governance Work of the NZ Ministry of Foreign Affairs and Trade 1999

Human Rights, New Zealand's Role in Practical International Assistance, 2000

Investing in a Common Future, Policy Framework for New Zealand Official Development Assistance (ODA) 1998

Kiribati Programme: NZODA Draft Strategy, 2000

Memorandum of New Zealand - Peer Review, Submission to the Development Assistance Committee of the OECD 1999

Ministerial Review of the New Zealand Official Development Assistance Programme, Development Cooperation Division, 1986

Ministry of Foreign Affairs and Trade, South Pacific Division Operational Plan 1999/2000

New Zealand's Foreign and Security Policy Challenges

NZODA Guidelines for Consultants and Consultant Registration Form 1998

NZODA Management Services Consultants Issue Paper (Draft), Kevin Clark and Marion Quinn, 2000

NZODA/Samoa Programme Discussions - Delegation Brief 2000/01

ODA Programme Discussions - Vanuatu, 2000

Output Class III Costing Methodology 1996

Pacific Islands Investment and Development Scheme (PIIDs) Introduction Booklet 1997

Post Election Briefing From the Ministry of Foreign Affairs and Trade 1999

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Programme Profiles 2000-2001

Project Management Cycle Manual (Draft) 1998

Proposal for the Development of a Strategic Framework for the Pacific Regional Education, Health and Justice Programme 2000

Purchase Agreement Between the Minister of Foreign Affairs and Trade and the Chief Executive of the Ministry of Foreign Affairs and Trade - Period July 2000-June 2001

Report on Review of Inter-Relationship Between The Development Cooperation Division and the Consultancy Community, 1997

Review of Commonwealth Good Government Programme and International Good Government Programme 1998

Review of Development Cooperation Division Awards for Postgraduate Field Research, 2000

Review of Pre-posting and Security Briefings, 1999

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Secretariat of the Pacific Community, Annual Consultations 2000 Proposals for XB Funding from the South Pacific Regional Programmes.

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The Logframe, Logical Framework Analysis: A Tool for Project Preparation and Management 1996

** The Review team also examined a wide range of internal documents, cables and files relevant to NZODA

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Quality Assurance Series No. 13, 1999

AusAID Annual Report 1998-1999, AusAID

AusAID Learning and Development Framework, 2000

AusAID People Management Strategy 1999-2001, AusAID

AusAID Scholarships Country Information, 1999

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Australia and Viet Nam - A Better Future Through Partnership 1999-2001, AusAID

Australia and Viet Nam - Development Cooperation Program, 1999-2000, AusAID (country program strategy document)

Australia's Overseas Aid Program 2000-2001

Better Aid for a Better Future - Australian Government's Response to the Committee of Review of Australia's Overseas Aid Program, 1997

Business Participation in Australia's Aid Program 1998-1999, AusAID

Client Services Charter, Resources Branch, AusAID

Contracting Out - Contracting for Australian Aid 2000, AusAID

Education and Training - Activity Options for Country Programming, AusAID 1998

Education and Training in Australia's Aid Program, AusAID, 1996

Government's Response to the Committee of Review of Australia's Overseas Aid Program, 1997

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Governance, Human Rights and Participation in the NZODA Programme, Minister's Advisory Committee on External Aid and Development, 1998

Human Security in the South Pacific, William Clarke, Research School of Pacific and Asian Studies Australian National University 2000

Implementing the 20/20 Initiative, Achieving Universal Access to Basic Social Services, UNDP, UNESCO, UNFAP, UNICEF, WHO and the World Bank, 1998

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Achieving Pacific People's Aspirations, Ministry of Pacific Island Affairs 1999

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